R4105-3

STATISTICAL BULLETIN

Volume 16, No. 10, October, 1983

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The Conference Board

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STATISTICAL REFERENCE INDEX
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COMMENT

The expansion is entering its second year with a good deal of vigor in consumer demand, prospects for a considerable inventory buildup, and some signs that conditions are beginning to fall in place for a rise in business investment. All that energy on the demand side is fueling strong and steady gains in production and employment. The convergence of a relatively subdued rise in compensation and exuberant increases in labor productivity has helped to contain cost increases and, hence, price increases. Inflation, then, remains quite well in check as the second year of expansion begins. The *Economic Forecasts* indicate that it can be expected to remain reasonably well in check in 1984. Some analysts, however, suggest that weather-related higher food prices, large Federal Government deficits, and high money growth in 1983 will lead to considerably higher inflation rates in 1984. The risk of more inflation, fiscal imbalance, and a less accommodative monetary policy all point to continued high interest rates in 1984. That prospect, in turn, spells little relief from the domestic economic pressures of a very strong dollar in international exchange markets.

Sluggish economic conditions from 1980 through 1982 bottled up consumer demand. Consumer attitudes began to turn more positive late in 1982, and some of that pent-up demand fueled a mini-boom in market activity this past Spring. There remains more than enough pent-up demand, however, to fortify quite healthy appetites for furniture, appliances, cars and homes in the expansion's second year.

Consumer attitudes remained positive but very stable through the summer months. The Conference Board's *Consumer Confidence Index* had improved from a low of 49.7 (1969-1970 = 100) last October to 84.0 by May, and then remained at about that same reading through September, 1983. Within this aggregate stability, there has been steady improvement in the appraisal of current conditions while the appraisal of conditions six months hence has eroded a bit. That may simply reflect a sense that some of the expected improvement in the economy has already occurred.

Retail sales, adjusted for inflation, were rising very briskly earlier this year but have since leveled off. Sales volume remained rather flat from May through September. This break in the expanding sales trend is a little puzzling, given the presence of pent-up demand and quite positive consumer attitudes. One primary factor in the low growth of real retail sales is the low growth of real consumer spending power. However, industrial production has been rising sharply, including a very hefty gain in September, and this has allowed for sizable gains in employment: More than one-half million jobs were added in August and September. The personal income data should begin reflecting the additional income from these jobs. Still, moderation in wage gains implies that the increase in spending power will probably not be very strong. Nevertheless, given a willingness to spend, some added wherewithal is likely to produce stronger consumer buying.

Business, in general, has been campaigning for some time to reduce inventory. High carrying charges and the need to cut costs to conserve cash flow have been powerful incentives to pursue something of a "just-in-time" inventory control. As a result, inventory is now depleted in most industries and acutely so in some—the automobile industry is a prime example. Rising raw material prices, some anticipation of increased final demand, and a simple need to restock the shelves all point to a change in inventory policy, although the persistence of high interest rates means that carrying charges are not likely to come down very much. The first year of recovery began with a lift from considerable inventory building, and it appears that the second year may well benefit from a repeat performance.

Rising production has been accomplished by more intense utilization of capacity. At about this time last year, manufacturing operating rates had generally fallen to less than 70% (see the *Capacity Utilization* chart). They are currently in the 75 to 80% range. As the recovery continues into its second year, those rates will move higher, probably to (or near) an 80 to 85% range by the end of 1984. At those levels, questions concerning the adequacy of capacity are likely to become more pronounced. Strategic planners are already anticipating the need to invest more heavily in modernization and expansion of plant and equipment. The Conference Board's *Capital Appropriations and Expenditures* survey shows that nonpetroleum companies expect appropriations to rise by 8% in 1983. A gain of this magnitude would support at least a modest rise in investment spending in 1984. As mentioned earlier, interest rates are likely to remain high but that may not constrict rising investment to any substantial degree. As indicated on the *Key Determinants of Profit Margins* chart, unit profit in the nonfinancial corporate sector is recovering. The acceleration of depreciation in the 1981 tax law will also augment cash flow, and thus help to fund a good deal of the new investment with internal funds.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
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Ottawa, Ontario, K1L-6R3, Canada

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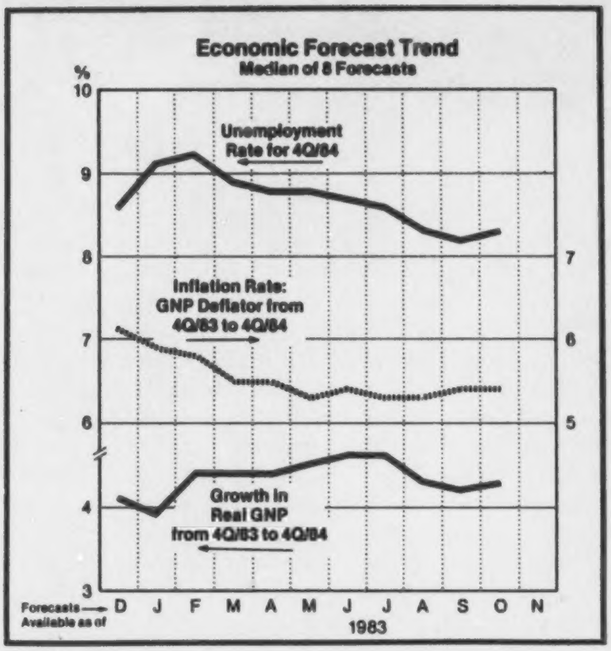


Consumer demand and inventory buildup are the twin engines of the recovery as it enters its second year. Both can be expected to lose some steam after a time, while business investment improves to the point where its momentum can take over as the driving force of continued expansion.

The data show that real GNP expanded at a booming 9.7% rate in the second quarter of 1983 (seasonally adjusted at an annual rate). The Commerce Department's flash report put the growth estimate for the third quarter at 7%, exactly the median of the *Economic Forecasts.* Expectations for real output growth in the fourth quarter range from 3.2% to 7.1%—with a median of 4.9 percent. Thus, the anticipation is that growth will be slowing down from the very brisk pace of the second and third quarters, but will remain quite robust in the fourth quarter. One forecast—that of The Conference Board—projects growth of 7.1% for the final quarter. The expansion of output in the second quarter exceeded all expectations, and the same can be said about the third quarter. Perhaps this recovery, initially expected to be subdued and moderate by historical standards, will continue to exceed expectations.

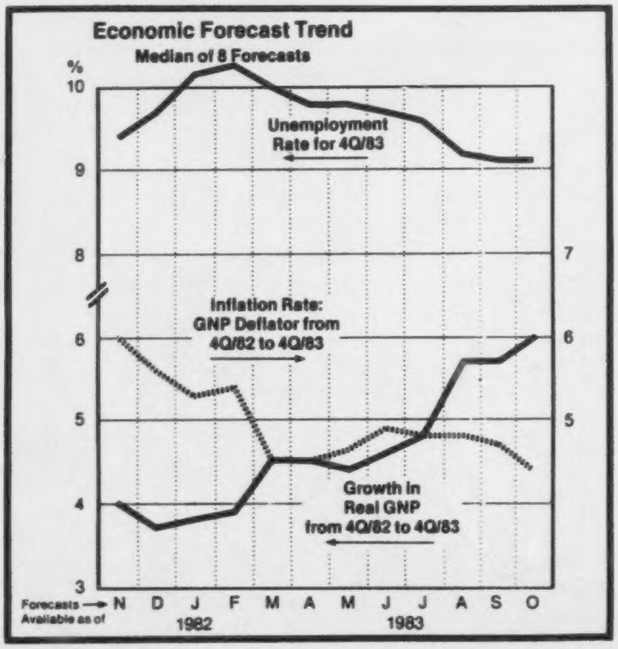
One explanation as to why this recovery turned out to be anything but subdued and moderate is that the Federal Reserve allowed money supply growth to exceed its targets by more—and for a longer period—than anyone anticipated. (See the *Money Supply and Monetary Targets* chart.) The combination of large deficits and high money growth gave an unusually, and unexpectedly, strong stimulus to the economy, helping to push it out of recession and squarely onto an expansionary path. More recently, money supply growth has been slowed down, and the ongoing recovery is helping to reduce the cyclical component of the deficit. These factors are being incorporated in the forecasts.

As indicated on the *Perspective on the Federal Budget* table, the Federal Government's deficit for fiscal 1984 (which began on October 1) looms quite large. This suggests that the Treasury will continue to be quite active in credit markets. Business will also be active in trying to line up financing for both inventory and investment. The competition for funds is likely to serve as a prop for the high level of interest rates.

A second factor in the expectation of little relief from high interest rates is the nervous jitters in financial markets about all that money growth in 1983. The median of the *Economic Forecasts* for inflation in the third quarter of 1983 is 3.8 percent. The median expected rate advances to 4.9% in the fourth quarter, to 5.4% in the first half of 1984, and gradually to about 6% by the third quarter of 1985 (last quarter in the forecast horizon). But there is concern, certainly in the financial community, that high money growth will produce much higher inflation rates than those, and this concern helps keep interest rates high.

A third factor sustaining high interest rates may well prove to be the "new era" of bank competition that began on October 1, 1983. Banks are now generally free to offer whatever rates they deem competitive for deposits. The likely result is higher returns for savers and higher costs for borrowers than would have prevailed under prior conditions.

Ken Goldstein
October 13, 1983

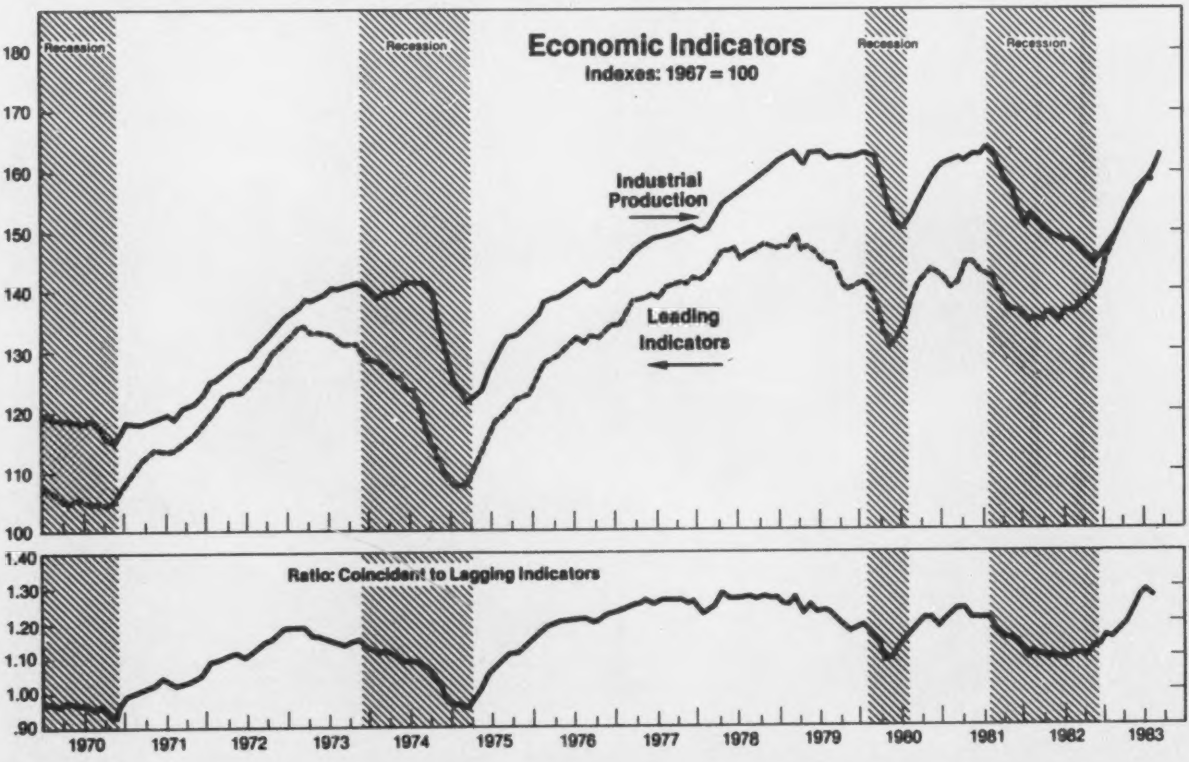


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Aug.	X			+ 2.5%	+ 16.2%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	Aug.			X	— 6.4%	+ 19.3%
New orders, nondefense capital goods (deflated)	Aug.		X		+ 1.9%	+ 25.1%
*Net business formation	Aug.		X		— 1.7%	+ 0.3%
*Housing permits	Aug.		X		+ 1.0%	+ 77.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Aug.	X			+ 3.5%	+ 18.7%
*Change in inventory, on hand & order (deflated)	July	X			+ 13.0%	+ 18.6%
Purchasing agents' buying policy	Sept.		X		+ 3.0%	+ 0 %
*Vendor performance, reported slower deliveries	Aug.	X			+ 9.0%	+ 21.0%
Industrial raw materials prices	Sept.	X			+ 7.4%	+ 12.2%
*Change in sensitive prices	Aug.		X		— 0.3%	+ 1.7%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Aug.		X		+ 0.9%	+ 9.5%
Change in business loans	Aug.	X			+ 38.7%	—15.1%
*Change in credit outstanding	July	X			+ 10.3%	+ 11.6%
Change in consumer installment debt	July	X			+ 30.8%	+ 53.4%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q	X			+ 17.2%	+ 6.7%
*Common stock prices	Aug.		X		— 0.5%	+ 36.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	Sept.	X			+ 0.6hr.	+ 1.9hr.
*Initial unemployment claims (inverted)	Sept.	X			+ 2.2%	+ 39.2%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) 1977, p. 15.

*These twelve series make up the Composite Leading Index charted below.



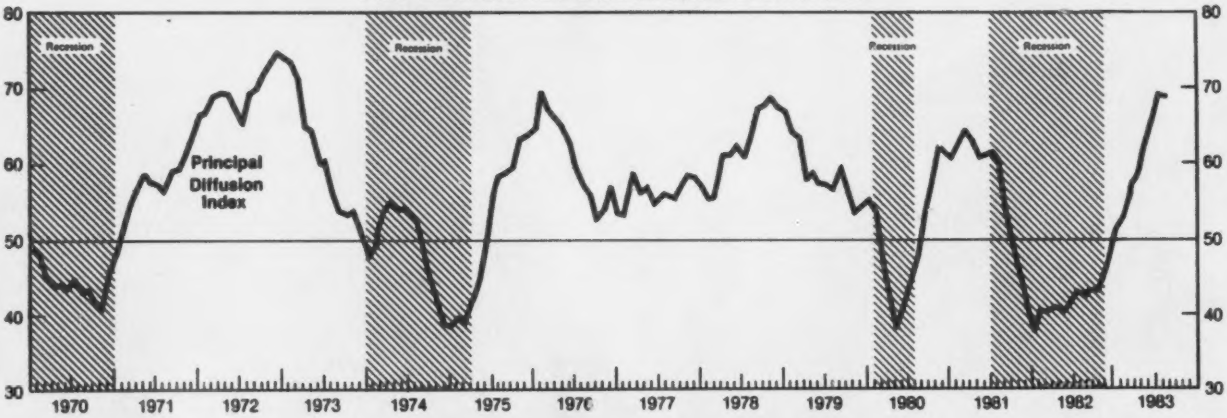
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1982 Aug.	1983 May	1983 June	1983 July	1983 Aug.(e)
Principal Diffusion Index	39.4	61.9	65.8	69.2r	68.7
Auxiliary Diffusion Index	44.0	63.1	62.6	61.1r	48.3
Industrial Group	32.7	61.7	67.4	72.6	71.7
Nonindustrial Group	46.2	62.1	64.1	65.8r	65.6
Sense of Diffusion	− 1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	46.2	61.1	67.9	73.9	74.8
Labor	19.7	58.2	66.2	73.3	71.9
Miscellaneous	44.9	71.2	69.9	68.6	66.7
Nonindustrial Subgroups					
Prices	36.5	71.8	70.5	76.3	73.7
Consumer	50.9	72.2	77.4	76.9r	70.9
Building	44.9	51.9	51.9	51.9r	51.9
Miscellaneous	48.7	52.4	54.7	51.9	64.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981 Feb.	*1981* May	*1981* Aug.	*1981* Nov.	*1982* Feb.	*1982* May	*1982* Aug.	*1982* Nov.	*1983* Feb.	*1983* May.	*1983* Aug.
					Score (scale 0-100)						
Measure of Business Confidence	58	61	57	43	47	52	55	60	70	76	75
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	50	57	48	26	23	30	38	44	65	76	82
2. Expectations for Economy, Six Months Ahead	63	64	63	51	59	64	65	70	76	78	74
3. Expectations for Own Industry, Six Months Ahead	61	61	60	52	58	61	61	65	70	72	69

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981	1982				1983		Percent Change From Previous Year		
	IV	I	II	III	IV	Ir	IIp	1981 Actual	1982 Actual	1983 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	23.035	25.176	20.025	18.439	21.488	20.176	20.955	2	—18	2
Capital expenditures	28.225	26.680	25.552	23.991	22.887	18.841	18.687	15	— 3	—12
Change in appropriations backlog*	—4.610	—2.259	—7.328	—8.728	—3.395	—0.716	1.319			
Durable Goods										
New appropriations	9.595	8.785	7.398	7.724	8.238	8.197	9.554	—5	—24	8
Capital expenditures	11.016	11.069	10.505	9.684	8.949	7.918	7.795	4	— 7	—16
Change in appropriations backlog*	—1.961	—2.723	—3.903	—4.558	—1.351	—0.606	1.422			
Nondurable Goods										
New appropriations	13.460	16.391	12.627	11.215	13.250	11.979	11.401	7	—14	—2
Capital expenditures	15.209	15.591	15.047	14.307	13.938	10.923	10,892	24	0	—10
Change in appropriations backlog*	—2.649	0.464	—3.423	—4.170	—2.044	—0.110	—0.103			
ELECTRIC & GAS UTILITIES										
New appropriations	8.916	8.803r	8.502r	10.603r	10.803r	6.966	6.327			
Capital expenditures	8.424	8.958r	8.835r	9.018r	9.331r	9.032	9.343			
Change in appropriations backlog*	—3.677	—9.039r	—1.772r	+0.680r	—4.492r	—5.709	—6.307			

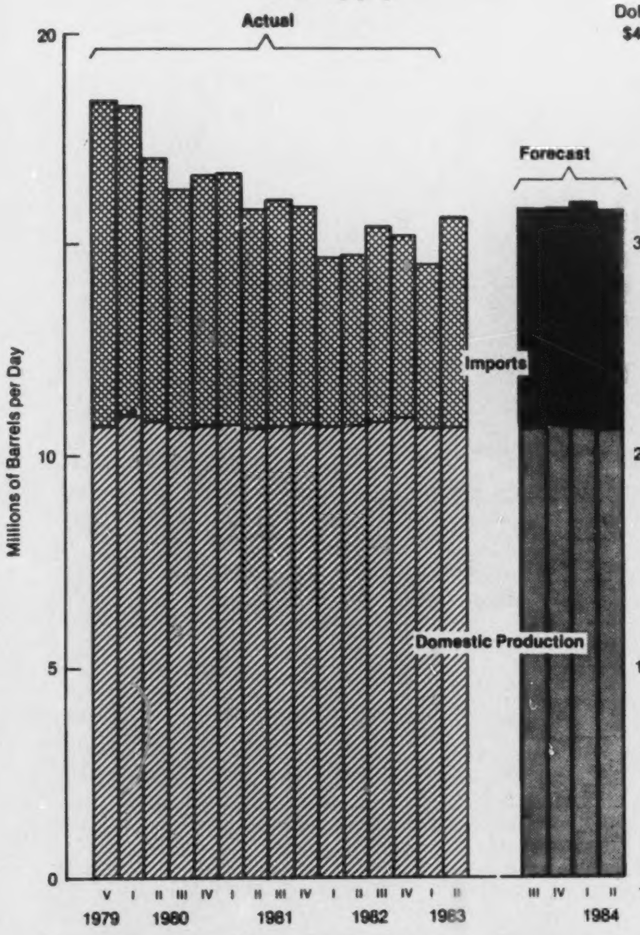
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

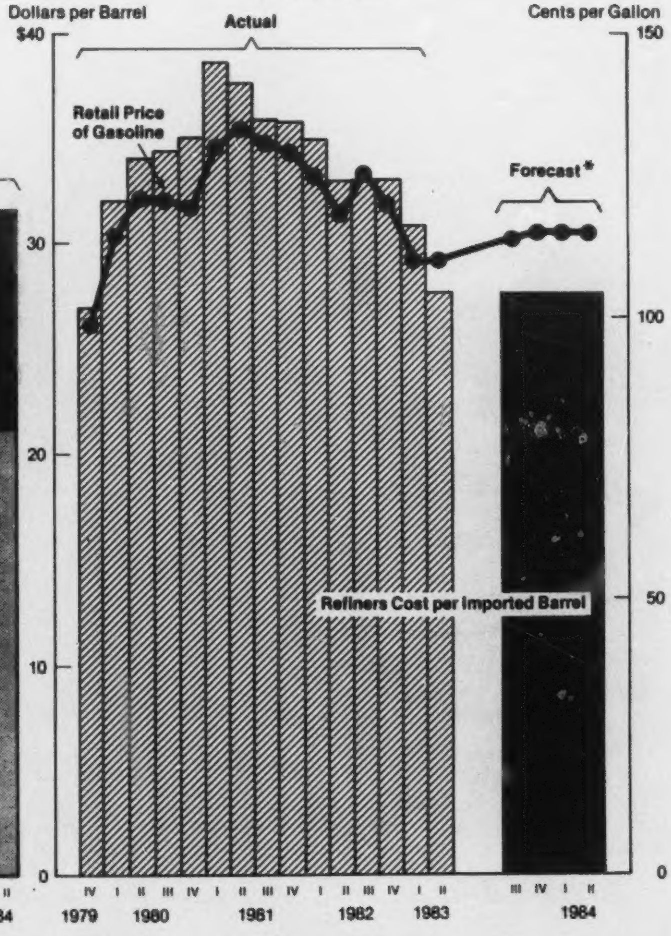
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

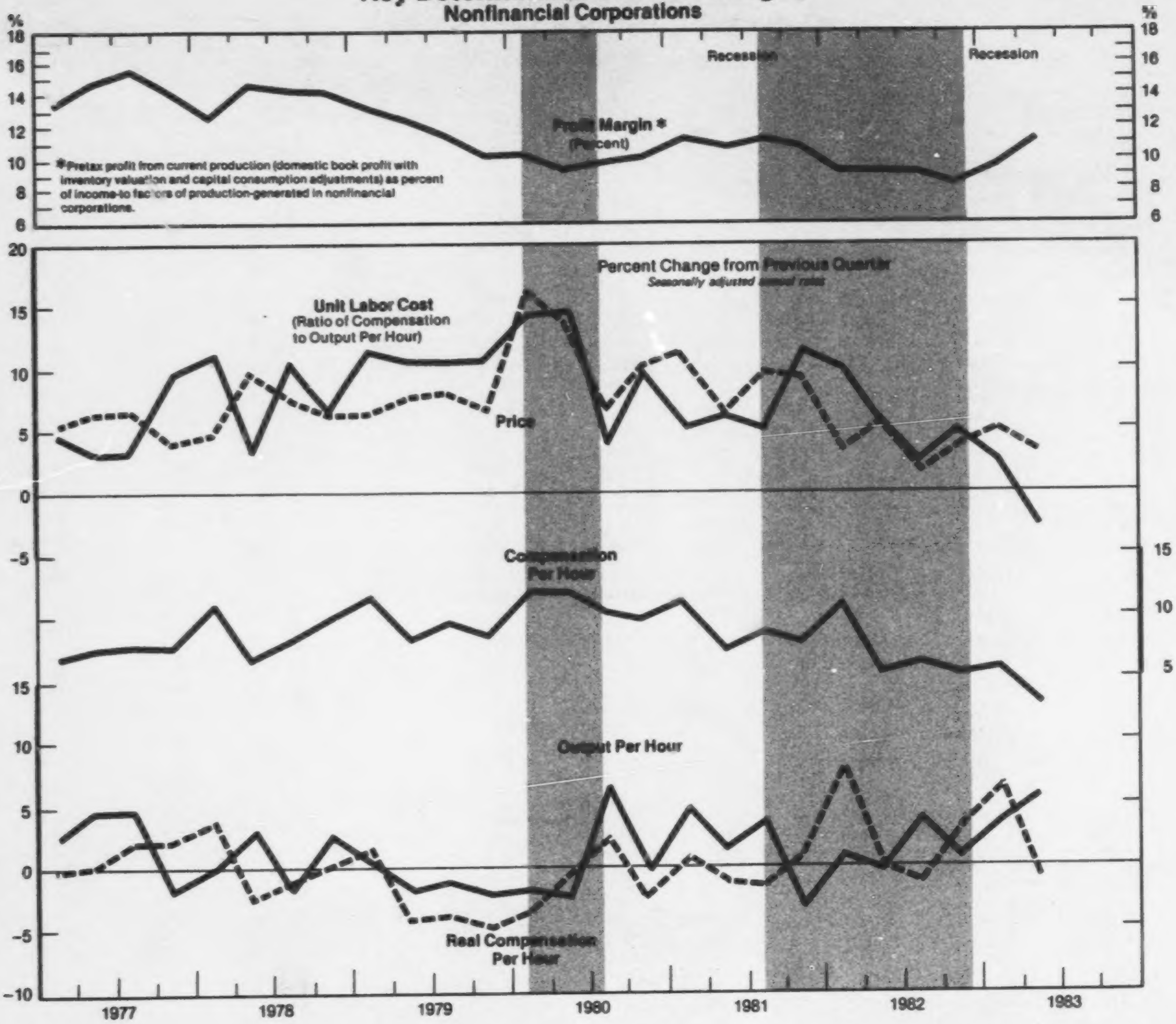


Oil Price



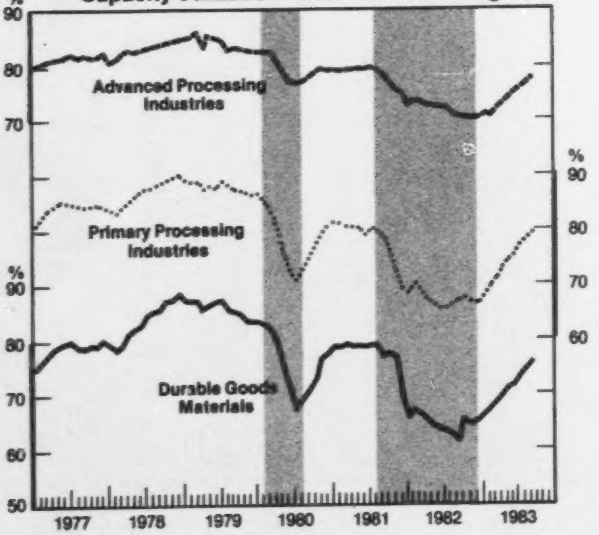
*Source: of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin,
Nonfinancial Corporations

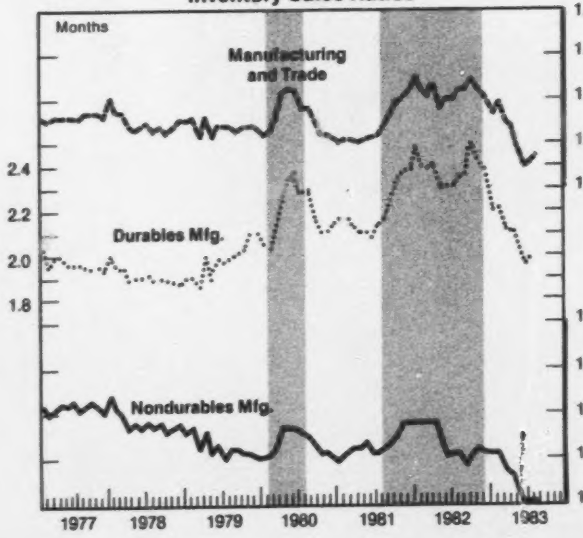


*Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations.

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Sept. 1983*		*Sept. 1983*		*Sept. 1983*		*Sept. 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**II**	**$3272.0**	**13.3%**			**$3272.0**	**13.3%**	**$3272.0**	**13.3%**
Forecast		III	3359.1	11.1	$3360.7	11.8%	3365.7	12.0	3354.7	10.5
		IV	3442.7	10.3	3436.4	9.3	3435.2	8.5	3438.7	10.4
	1984	I	3524.4	9.8	3513.8	9.3	3509.8	9.0	3508.8	8.4
		II	3605.5	9.5	3601.7	10.4	3592.0	9.7	3586.8	9.2
		III	3690.2	9.7	3697.5	11.1	3670.6	9.0	3665.8	9.1
		IV	3779.3	10.0	3799.5	11.5	3772.0	11.5	3757.7	10.4
	1985	I	3869.0	9.8			3860.9	9.8	3851.4	10.4
		II	3958.0	9.5			3948.3	9.4	3950.3	10.7
		III	4047.1	9.3			4034.3	9.0	4049.7	10.5
	1983	Annual	3311.3	7.8	3309.7	7.7	3311.1	7.7	3309.2	7.7
	1984	Annual	3649.9	10.2	3653.1	10.4	3636.1	9.8	3629.8	9.7
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**II**	**$1525.1**	**9.7%**			**$1525.1**	**9.7%**	**$1525.1**	**9.7%**
Forecast		III	1551.0	7.0	$1548.6	6.8%	1551.0	7.0	1549.3	6.5
		IV	1568.9	4.7	1564.9	4.3	1565.0	3.7	1572.4	6.1
	1984	I	1584.9	4.1	1578.9	3.6	1581.0	4.2	1589.0	4.3
		II	1601.1	4.2	1597.1	4.7	1600.0	4.9	1603.5	3.7
		III	1619.0	4.5	1617.2	5.1	1617.0	4.3	1616.6	3.3
		IV	1636.4	4.4	1638.9	5.5	1640.0	5.8	1634.5	4.5
	1985	I	1652.6	4.0			1657.0	4.2	1653.8	4.8
		II	1667.5	3.7			1673.0	3.9	1672.1	4.5
		III	1681.3	3.4			1688.0	3.6	1689.4	4.2
	1983	Annual	1533.8	3.3	1531.8	3.1	1532.8	3.2	1534.2	3.3
	1984	Annual	1610.3	5.0	1608.0	5.0	1609.5	5.0	1610.9	5.0
Gross National Product Deflator Index, 1972 = 100										
Actual	**1983**	**II**	**214.6**	**3.3%**			**214.6**	**3.3%**	**214.6**	**3.3%**
Forecast		III	216.6	3.8	217.0	4.5%	217.0	4.7	216.5	3.6
		IV	219.4	5.4	219.6	4.8	219.5	4.7	218.7	4.1
	1984	I	222.4	5.6	222.5	5.5	222.0	4.6	220.8	3.9
		II	225.2	5.2	225.5	5.4	224.5	4.6	223.7	5.3
		III	227.9	5.0	228.6	5.7	227.0	4.5	226.8	5.6
		IV	231.0	5.4	231.8	5.7	230.0	5.4	229.9	5.7
	1985	I	234.1	5.6			233.0	5.3	232.9	5.3
		II	237.4	5.7			236.0	5.2	236.2	5.8
		III	240.7	5.8			239.0	5.2	239.7	6.0
	1983	Annual	215.8	4.3	216.0	4.4	216.0	4.4	215.7	4.2
	1984	Annual	226.6	5.0	227.1	5.1	225.9	4.6	225.3	4.5
Unemployment Rate										
Actual	**1983**	**II**	10.1%		10.1%		10.1%		10.1%	
Forecast		III	9.5		9.5		9.5		9.5	
		IV	9.1		9.2		9.3		9.3	
	1984	I	8.7		9.0		9.2		9.1	
		II	8.5		8.7		9.1		8.9	
		III	8.3		8.4		8.8		8.9	
		IV	8.2		8.2		8.5		8.6	
	1985	I	8.0				8.3		8.3	
		II	7.9				8.1		8.1	
		III	7.9				7.8		7.8	
	1983	Annual	9.8		9.8		9.8		9.8	
	1984	Annual	8.4		8.6		8.9		8.9	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (first revision) second quarter data.

[2] Based on revised (2nd revision) second quarter data.

ECONOMIC FORECASTS (continued)

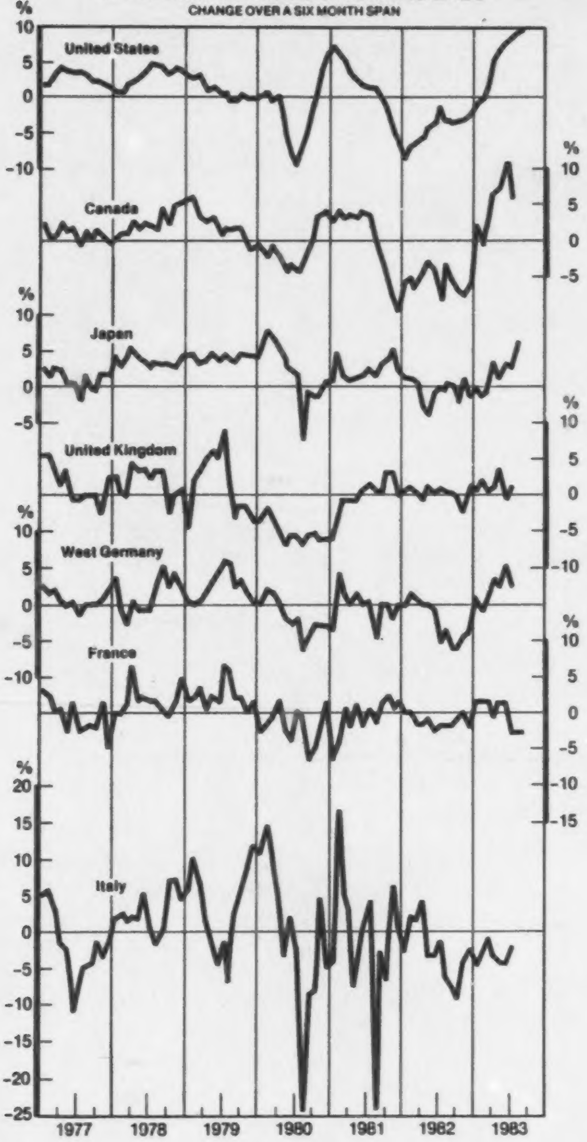
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Sept. 1983		*Sept. 1983*		*Sept. 1983*		*Sept. 1983*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3272.0	13.3%	$3272.0	13.3%	$3272.0	13.3%	$3272.0	13.3%	II	1983	Actual
3354.0	10.4	3358.7	11.0	3359.1	11.1	3357.7	10.9	III		Forecast
3454.0	12.5	3418.2	7.3	3445.3	10.7	3454.4	12.0	IV		
3542.0	10.6	3496.4	9.5	3532.1	10.5	3546.4	11.1	I	1984	
3602.0	6.9	3581.9	10.1	3617.8	10.1	3634.8	10.3	II		
3685.0	9.5	3671.7	10.4	3701.6	9.6	3720.4	9.8	III		
3789.0	11.8	3754.5	9.3	3782.6	9.0	3811.2	10.1	IV		
		3850.5	10.6	3860.9	8.5	3893.8	9.0	I	1985	
		3938.7	9.5	3940.9	8.5	3982.5	9.4	II		
		4021.1	8.6	4019.7	8.2	4066.3	8.7	III		
3312.9	7.8	3305.1	7.6	3312.0	7.8	3313.9	7.8	Annual	1983	
3654.5	10.3	3626.1	9.7	3658.5	10.5	3678.2	11.0	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
$1525.1	9.7%	$1525.1	9.7%	$1525.1	9.7%	$1525.1	9.7%	II	1983	Actual
1550.0	6.7	1548.4	6.3	1551.0	7.0	1552.1	7.3	III		Forecast
1576.8	7.1	1560.5	3.2	1570.2	5.0	1576.7	6.5	IV		
1592.1	3.9	1575.7	4.0	1588.8	4.8	1599.2	5.8	I	1984	
1596.1	1.0	1593.0	4.5	1607.2	4.7	1617.5	4.7	II		
1610.4	3.6	1610.6	4.5	1624.5	4.4	1632.8	3.8	III		
1631.1	5.2	1625.1	3.7	1638.4	3.5	1646.8	3.5	IV		
		1639.3	3.5	1650.3	2.9	1659.4	3.1	I	1985	
		1650.0	2.6	1661.9	2.8	1673.1	3.3	II		
		1659.7	2.4	1672.5	2.6	1683.5	2.5	III		
1535.5	3.4	1531.0	3.1	1534.1	3.3	1536.0	3.4	Annual	1983	
1607.4	4.7	1601.1	4.6	1614.7	5.3	1624.1	5.7	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
214.6	3.3%	214.6	3.3%	214.6	3.3%	214.6	3.3%	II	1983	Actual
216.4	3.5	216.9	4.5	216.6	3.6	216.3	3.4	III		Forecast
219.1	5.0	219.0	4.0	219.4	5.4	219.1	5.2	IV		
222.5	6.4	221.9	5.3	222.3	5.4	221.8	5.0	I	1984	
225.7	5.9	224.9	5.4	225.1	5.1	224.7	5.4	II		
228.8	5.7	228.0	5.7	227.9	5.0	227.9	5.7	III		
232.3	6.2	231.0	5.5	230.9	5.4	231.4	6.4	IV		
		234.9	6.8	234.0	5.4	234.7	5.7	I	1985	
		238.7	6.7	237.1	5.6	238.0	5.9	II		
		242.3	6.1	240.3	5.5	241.5	6.0	III		
215.7	4.3	215.8	4.3	215.8	4.3	215.7	4.3	Annual	1983	
227.3	5.4	226.4	4.9	226.5	5.0	226.4	5.0	Annual	1984	
								Unemployment Rate		
10.1%		10.1%		10.1%		10.1%		II	1983	Actual
9.4		9.3		9.5		9.5		III		Forecast
9.1		8.9		9.1		9.2		IV		
8.9		8.7		8.6		9.0		I	1984	
8.9		8.5		8.4		8.8		II		
8.6		8.4		8.2		8.6		III		
8.5		8.3		8.1		8.3		IV		
		8.2		8.0		8.2		I	1985	
		8.2		8.0		8.0		II		
		8.2		8.0		7.8		III		
9.8		9.7		9.8		9.8		Annual	1983	
8.8		8.5		8.3		8.7		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

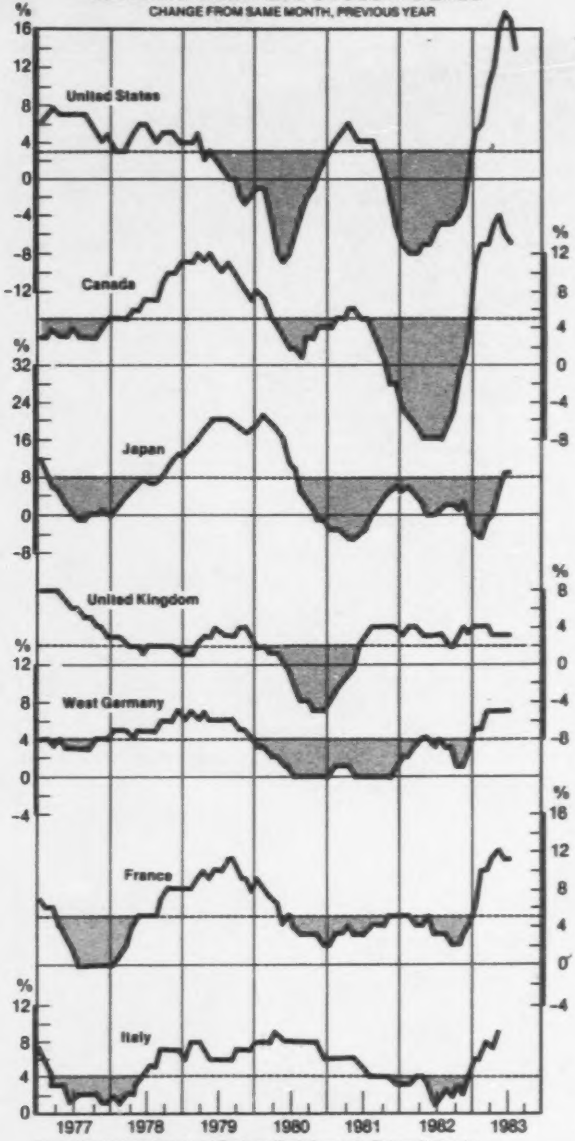
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



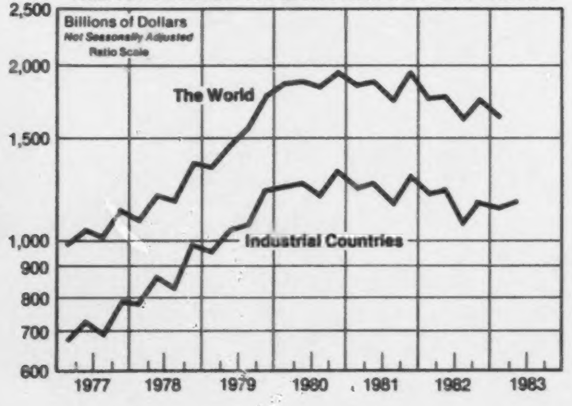
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

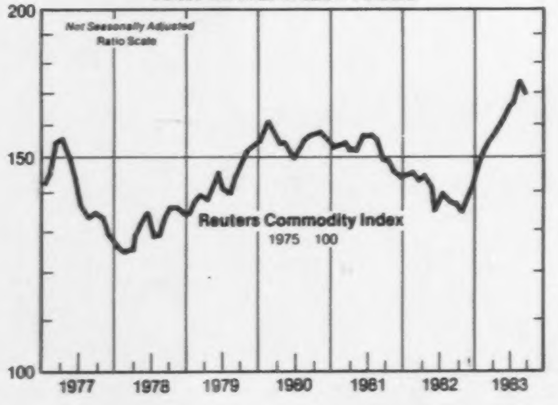


Source: Center for International Business Cycle Research, Rutgers University.

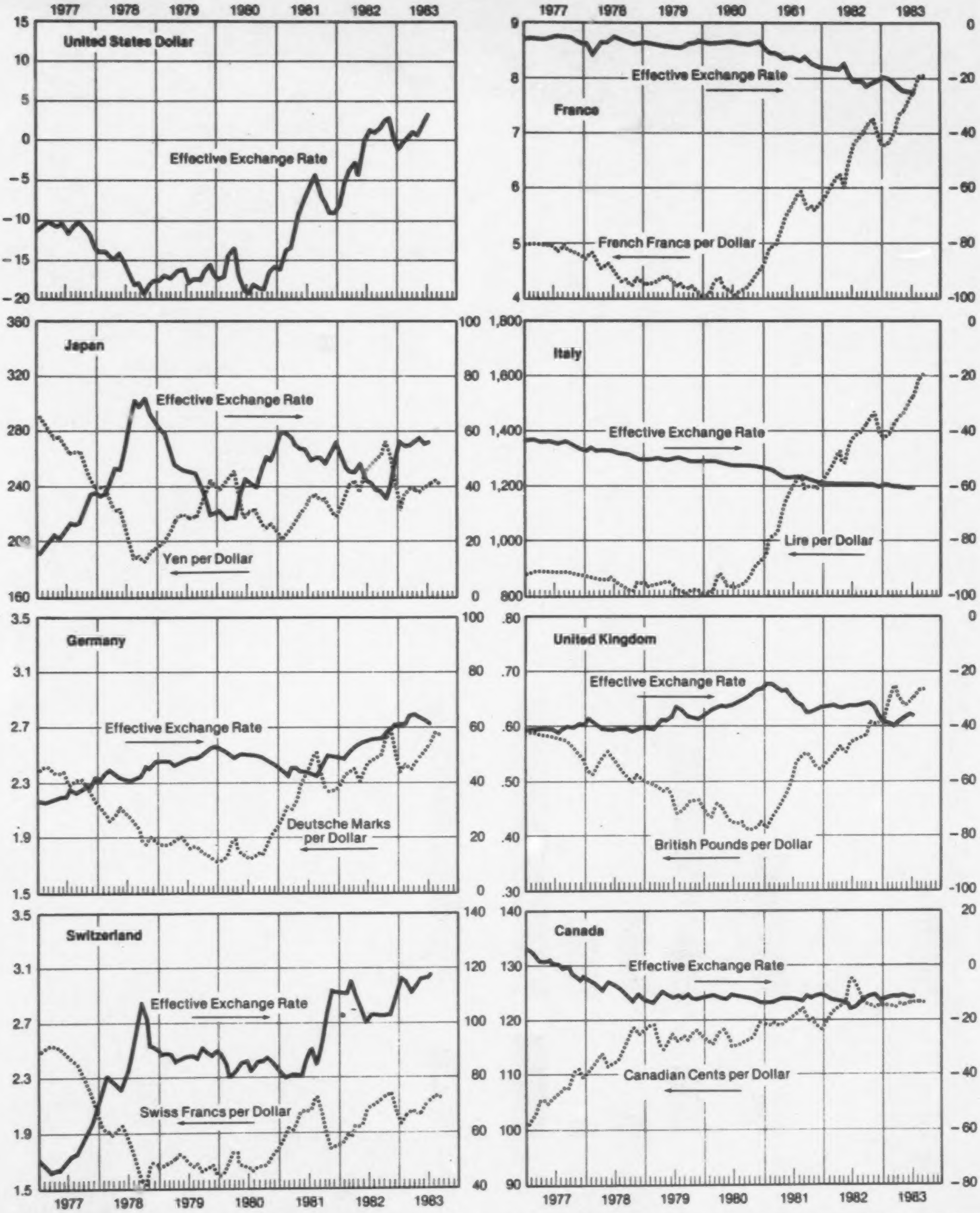
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



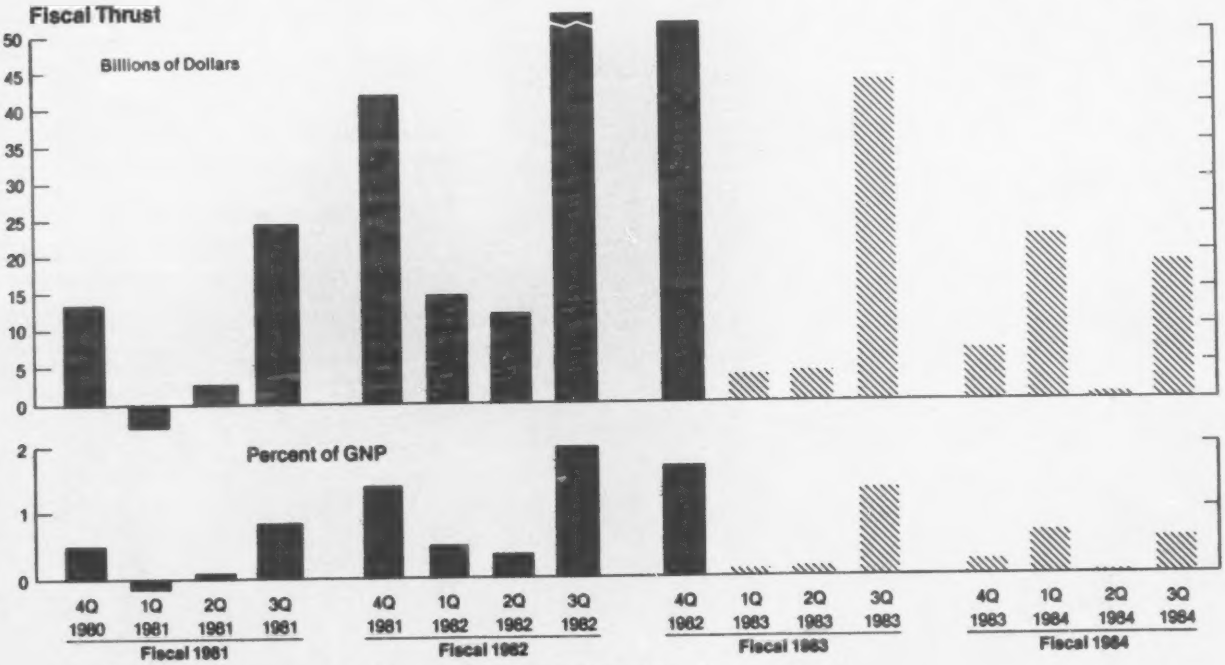
Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

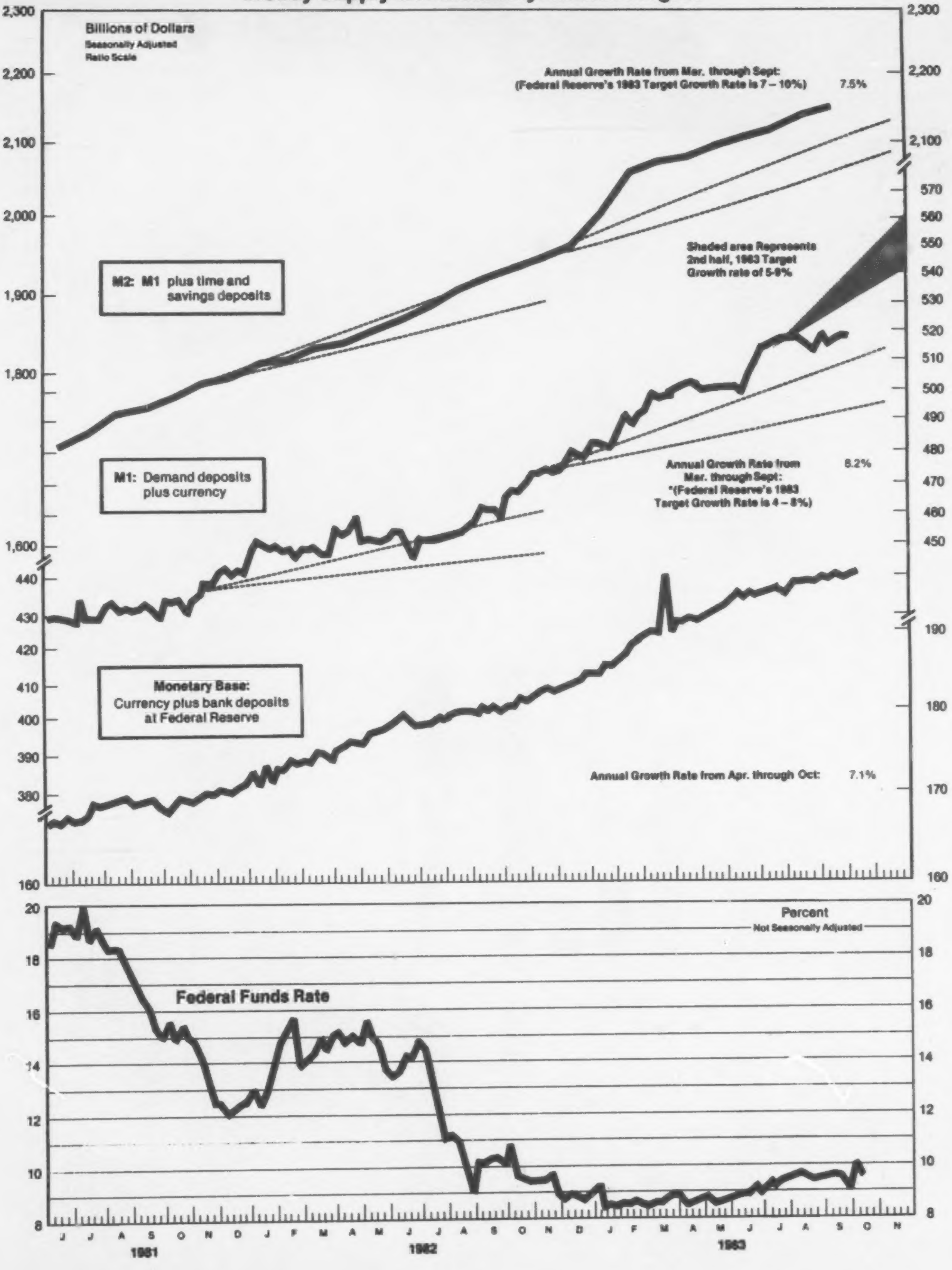
	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(10/26/82)	(7/25/83)	(9/1/82)	(7/25/83)	(7/25/83)	(6/20/83)
Receipts	$617.8	$599.9	633.0	665.6	668.4	679.6
Outlays	728.4	809.8	788.0	866.0	848.1	849.5
Deficit	−110.6	−209.8	−155.0	−200.4	−179.7	−169.9
Receipts by source	617.8	599.9	633.0	665.6	668.4	679.6
Individual income taxes	298.1	288.5	298.0	294.6	296.0	
Corporate income taxes	49.2	35.2	47.0	64.1	64.1	
Social insurance	201.1	211.1	217.0	240.0	241.4	242.3
Other receipts	69.4	65.1	71.0	66.9	66.9	
Outlays by function	728.4	809.8	788.0	866.0	848.1	849.5
Income security	248.8	279.4	270.0	278.5	275.2	278.8
National defense	187.4	214.8	216.0	245.4	242.3	240.0
Health	74.0	82.3	79.0	92.4	90.5	92.6
Education and manpower	25.4	27.2	27.0	27.9	26.5	28.4
Transportation	20.6	21.1	20.0	26.0	25.9	26.0
Veterans' benefits	24.0	24.9	24.0	25.5	25.5	25.5
International affairs	10.0	11.0	13.2	13.1	13.5	13.0
Natural resources and environment	13.1	12.5	11.0	12.0	10.8	12.5
Agriculture	14.8	25.3	15.0	16.9	13.8	11.5
General science	7.1	7.8	8.0	8.2	8.3	8.3
Community development	7.4	7.4	8.0	7.9	7.8	8.1
Revenue sharing	6.2	6.4	6.0	6.8	6.8	7.2
General government	4.8	5.8	5.0	5.4	5.6	5.6
Justice	4.6	5.3	5.0	5.4	5.5	5.9
Energy	4.8	4.6	5.0	4.4	4.4	4.3
Commerce and housing credit	3.8	5.1	2.0	3.3	2.8	2.3
Interest	100.8	89.0	115.0	104.9	103.5	97.1
Allowances	—	—	−3.0	1.9	0.9	0.8
Undistributed offsetting receipts	−29.3	−19.9	−36.0	−20.0	−21.0	−18.1

Sources: Office of Management and Budget; Congressional Budget Office.


Fiscal Thrust

Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



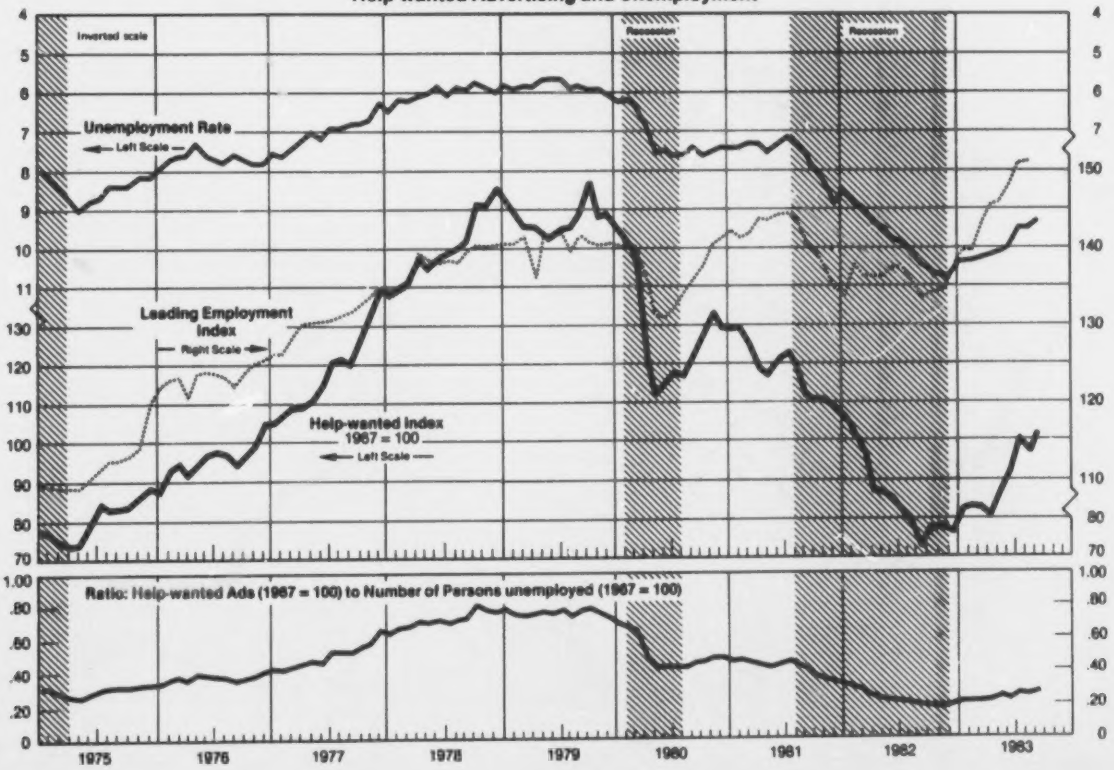
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983			1982
	Aug.	July	June	Aug.
Total Index 51 papers	96	100	92	78
New England	103	108	100	81
Boston	114	121	112	90
Hartford	104	105	89	86
Providence	64	67	67	47
Middle Atlantic	50	53	48	45
Albany	90	88	90	72
Allentown	104	138	113	75
New York	46	45	44	41
Philadelphia	46	50	43	40
Pittsburgh	45	52	46	44
Rochester	50	63	48	50
Syracuse	69	78	69	66
East North Central	50	57	48	43
Chicago	49	54	47	41
Cincinnati	73	79	71	59
Cleveland	40	45	40	39
Columbus	76	83	74	66
Dayton	46	48	49	41
Detroit	36	52	35	30
Gary	80	96	85	81
Indianapolis	57	64	48	47
Milwaukee	37	41r	35	31
Toledo	70	68	64	72
West North Central	57	62	60	[illegible]
Kansas City	82	85	89	54
Minneapolis	45	51	44	31
Omaha	100	93	86	82
St. Louis	43	50	53	35
South Atlantic	114	123	110	83
Atlanta	186	202	185	126
Baltimore	89	77	71	66
Charlotte	103	108	89	69
Jacksonville	164	163	155	110
Miami	75	78	71	61
Richmond	66	79	68	50
Washington, D.C.	109	131	114	85
East South Central	94	103r	94	75
Birmingham	101	111	104	80
Knoxville	150	144	139	132
Louisville	50	56	54	43
Memphis	86	89	83	70
Nashville	115	145	116	82
West South Central	219	222	208	196
Dallas	291	285	275	204
Houston	276	282	258	282
New Orleans	117	123	117	114
Oklahoma City	131	137	126	141
San Antonio	159	158	147	136
Tulsa	115	136	132	116
Mountain	198	201	184	145
Denver	148	160	142	104
Phoenix	255	261	240	175
Salt Lake City	212	198	187	181
Pacific	147	141	133	114
Los Angeles	119	109	104	94
Sacramento	225	228r	215	192
San Bernardino	114	112	105	88
San Diego	272	273	251	203
San Francisco	152	147	138	115
Seattle	162	165	153	125
Percentage of papers with rising volume	25%	90%	78%	12%
Unemployment rate	9.5%	9.5%	10.0%	9.9%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.8	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5r
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6r	83.9p			

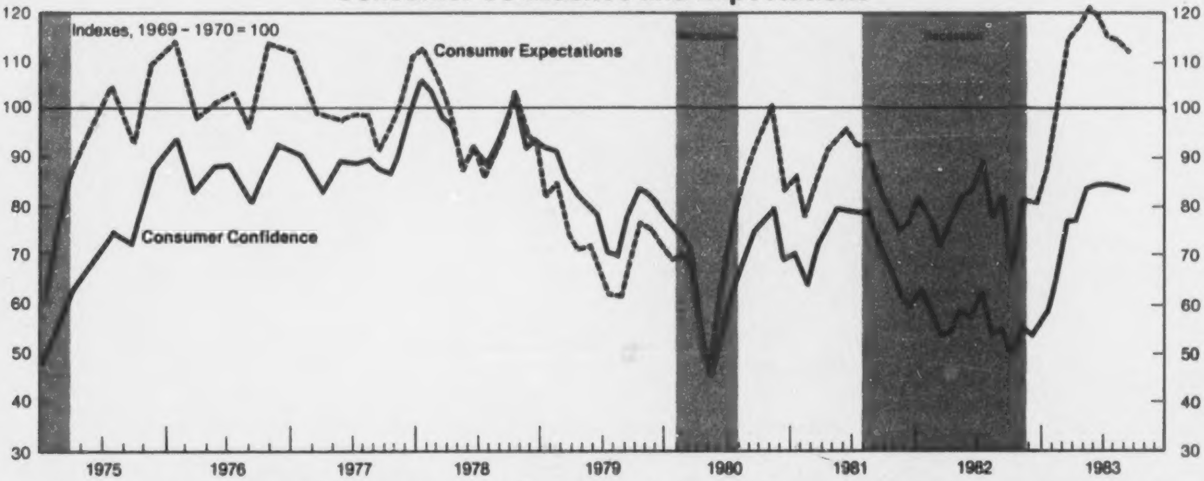
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2r
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9r	108.6p			

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

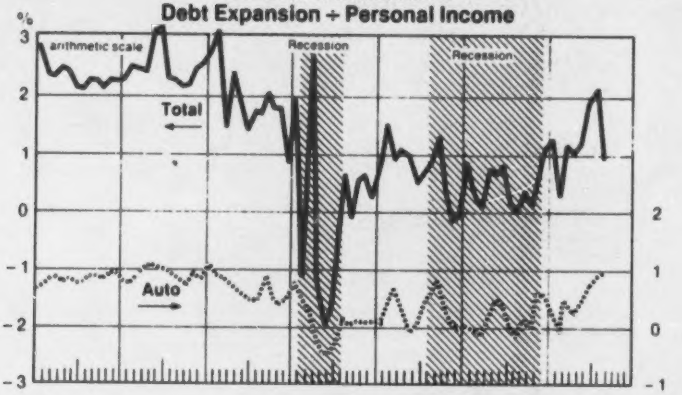
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

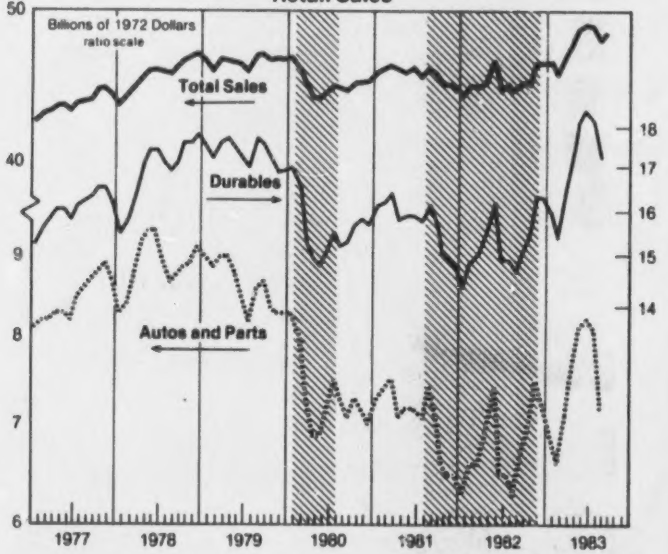
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



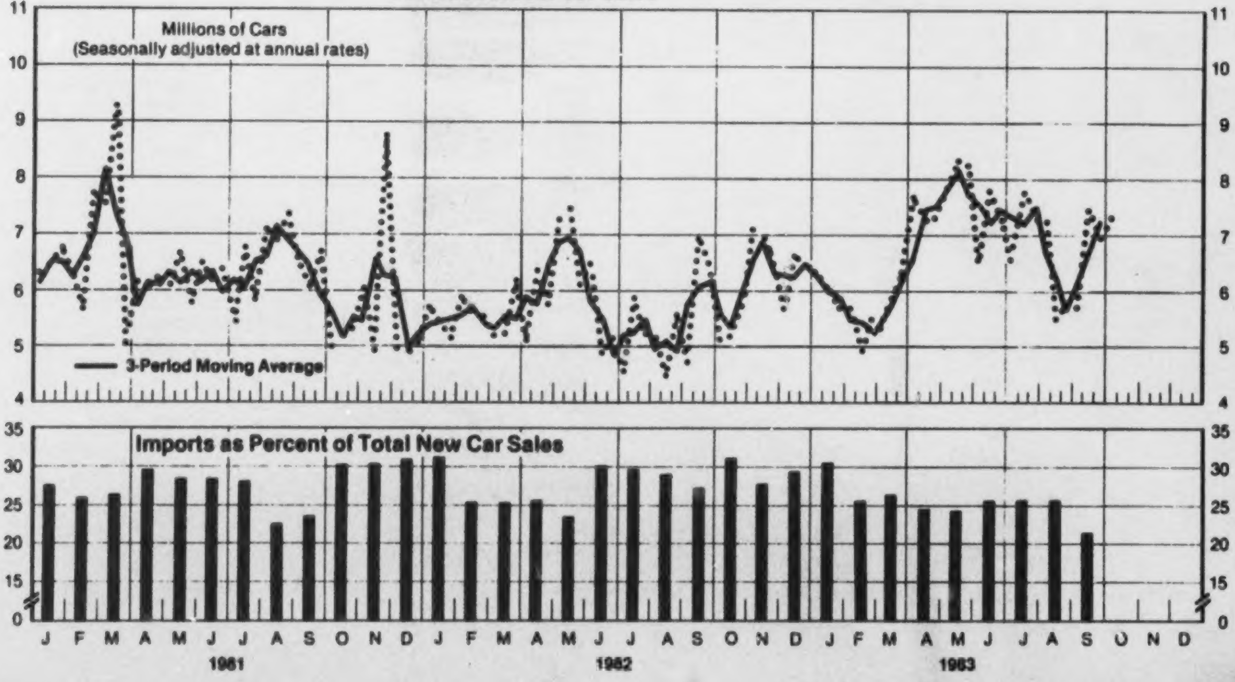
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.87	6.27	5.68	6.34
	11-20	7.08	6.44	5.43	6.08
	21-31	9.17	6.74	5.17	5.69
February:	1-10	6.88	6.30	5.88	5.68
	11-20	8.28	5.65	5.61	4.93
	21-28(29)	6.36	7.70	5.54	5.55
March:	1-10	6.96	7.55	5.18	5.32
	11-20	7.18	9.29	5.24	5.62
	21-31	6.12	5.02	6.16	6.22
April:	1-10	7.02	6.18	5.11	6.76
	11-20	5.94	6.01	6.38	6.77
	21-30	5.90	6.22	5.77	6.52
May:	1-10	5.78	6.09	7.26	7.68
	11-20	6.10	6.64	7.47	7.25
	21-31	5.17	5.76	6.06	7.32
June:	1-10	5.95	6.50	6.51	7.83
	11-20	6.76	6.18	4.83	8.37
	21-30	6.74	6.35	5.17	8.25
July:	1-10	6.60	5.45	4.54	6.56
	11-20	6.41	6.78	5.38	7.78
	21-31	6.59	5.80	5.22	7.26
August:	1-10	5.44	7.08	5.18	7.27
	11-20	5.81	6.91	4.48	5.47
	21-31	6.00	7.38	5.58	5.79
September:	1-10	6.05	6.57	4.70	5.70
	11-20	5.58	6.09	6.95	7.43
	21-30	6.74	6.67	6.49	6.95
October:	1-10	7.60	4.98	5.09	7.33
	11-20	7.09	5.18	5.16	
	21-31	6.49	5.32	5.68	
November:	1-10	7.03	6.05	7.10	
	11-20	7.10	4.93	6.94	
	21-30	6.11	8.75	6.49	
December:	1-10	6.88	4.98	5.64	
	11-20	7.08	4.88	6.62	
	21-31	5.81	5.03	6.46	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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STATISTICAL BULLETIN

Volume 16, No. 11, November, 1983

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The Conference Board

COMMENT

The recovery is behind us. Both real GNP and industrial production are now higher than they were before the two back-to-back recessions. To be sure, a few sectors still have some catching up to do: Housing starts and car sales remain well below their peak levels, and the unemployment rate is considerably higher at the end of 1983 than it was at the end of 1979. However, the economy in general appears to be moving out of the recovery and into the expansion phase of the business cycle. This suggests that we have seen the last of quarterly growth rates for real GNP in the 6 to 9% range (seasonally adjusted annual rates). A brisk pace of activity is typical in early recovery periods as the economy regains ground lost in the prior recession. That accomplished, growth typically recedes to a more sustainable pace. That is precisely what the *Economic Forecasts* are telling us is in store for 1984.

The inventory buildup will continue into the early months of next year. Consumer demand is also likely to be rather strong in the beginning of the new year, although it will probably begin to moderate in the second half of 1984. Business investment, on the other hand, will probably be strengthening through the next year. In other words, 1984 looks to be the year in which a consumer-led recovery gives way to an investment-sustained expansion.

With the benefit of 20/20 hindsight, it is easy to see that the *Economic Forecasts* failed to anticipate how quickly and strongly a recovery would develop in 1983 until it had already begun to take shape. Almost two years ago, when the economy had just barely pulled out of one recession and was mired in yet another, we reported here that the median expectation for real GNP growth from the fourth quarter of 1982 to the fourth quarter of 1983 was 4.0%, that the GNP deflator would rise by 7%, and that the unemployment rate would go as high as 8.1% by the fourth quarter of 1983. One year later, with recovery beginning to develop, the median expectation was still for about a 4% growth rate in real output during the fourth quarters of 1983, but the inflation forecast had been shaved to only about a 5½% rate, and the expected unemployment rate for the fourth quarter of 1983 was put at just over 10 percent. As shown in the accompanying chart, the real-growth forecast has been steadily revised upward all year, and the inflation and unemployment rate forecasts have been steadily lowered. The current expectation is that when the dust finally settles, real GNP will have grown by 6.3% from the fourth quarter of 1982 to the fourth quarter of 1983; prices will have risen by only 4.3%; and the unemployment rate will average 9% for the fourth quarter of 1983. (These forecasts were made before the announcement of an 8.8% unemployment rate for October.)

Prospects for real growth, inflation and unemployment in 1984 have undergone less revision than the 1983 outlook. That is not necessarily attributable to any great or fundamental lessons learned from the latest run through the business cycle. Rather, it is simply easier to track the course of economic trends than to perceive major turning points in these trends accurately. Last December, the median expected real growth rate from the fourth quarter of 1983 to the fourth quarter of 1984 was 4.1%; inflation was expected to be about 6%; and the unemployment rate was anticipated to improve to 8.6% by the fourth quarter of 1984. The accompanying chart shows that real output is currently anticipated to rise by 4.7% in this four-quarter span; inflation to be 5½%; and the unemployment rate to fall to 8.2% by the fourth quarter of 1984. Thus, the *Economic Forecasts* are more optimistic about general business conditions in 1984 than they were a year ago. Foreign trade and federal deficits still loom large, and real interest rates—the rate of interest in relation to the rate of inflation—remain very high. But it now appears reasonable to assume that, these and other problems notwithstanding, business investment will begin to recover and lend enough support to the expansion to keep it moving forward.

When the focus shifts to 1985, the problems of how to sustain strong business investment become more pronounced. Prospects are that the economy will grow more slowly in 1985 than in 1984 but with little or no acceleration in inflation. Six of the eight *Economic Forecasts* extend through the fourth quarter of 1985 (last quarter in the forecast horizon). Their expectations for real growth from the fourth quarter of 1984 to the fourth quarter of 1985 range from only 2½% to 4%—with a median of only 3 percent. The range for inflation is a narrow 5.1% to 6.4%—with a median of 5.6%, just about the same rate expected to prevail in 1984. Forecasts for the unemployment rate by the fourth quarter of 1985 range from 8.2% to 7.7%—with a median of 7.9 percent. Even after three years of solid economic performance, then, the anticipation is that the legacy of 1980-1982 will be a sustained period of high unemployment. Further, these forecasts clearly point a danger of the expansion running out of gas in the se-

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STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
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Ottawa, Ontario, K1L-6R3, Canada

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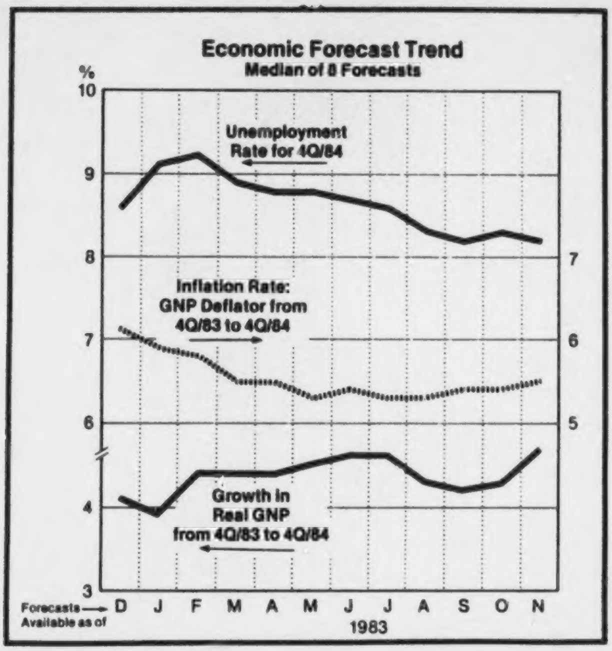


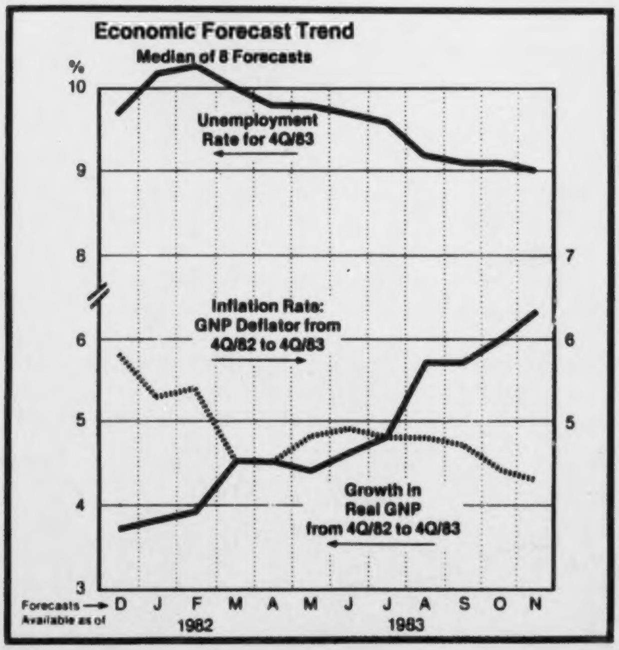
cond half of 1985. Some of the *Economic Forecasts* are indicating that real output growth may slow to a sluggish rate of 2½%, or even a mere 1.2%, in the third or fourth quarters of 1985. On the other side of the ledger, the genuinely good news is that inflation is expected to remain in check even three full years after the onset of a new expansionary phase of the cycle. There are any number of storm clouds threatening this economic expansion, but—as the general outlook would indicate—galloping inflation is not one of them.

If inflation is to remain under control through 1985, strong labor productivity gains and moderation in wage gains must continue. The data on the *Key Determinants of Profit Margins* chart show that output per hour in the nonfinancial corporate sector rose by a vary sizable 6.3% in the second quarter of 1983, and by only slightly less in the third quarter (seasonally adjusted annual rates). Average hourly compensation in this sector, on the other hand, increased by only 3% in the second quarter and by slightly more than that in the third quarter. It was not so long ago that compensation was consistently rising at about a 10% rate while productivity gains were negligible. The situation has turned around so completely that now productivity gains have been higher than the rise in compensation for two straight quarters. Thus, unit labor cost has actually fallen. There has been no cost-push pressure on prices for the last six months. A 6% productivity gain, in similar fashion to a 6% gain in real GNP, reflects an economy coming out of recession and recovering lost ground. Hence, just as real output growth is expected to slow to a more moderate but sustainable pace, gains in labor productivity are likely to subside gradually to something closer to 1½% to 2½% as the expansion continues. This implies that unit labor cost may begin to rise a little and perhaps settle in at about a 6% pace—assuming wage gains speed up to no more than 6 to 8 percent. Absent any unusual disturbance in nonlabor cost, then, a 6% or so rise in prices is at least within the range of the possible, if not the probable.

Strong demand for consumer goods and for inventory have been spurring sizable increases in production. Given the pronounced rise in productivity, production has continued to climb faster than employment all year. Nevertheless, new jobs continue to open up at a rate of several hundred thousand per month. And twice, first in July and again in October, the unemployment rate dropped by one-half percent. The Conference Board's *Help-wanted Index*, a measure of demand for labor, has been rising for the past year—from a low of 73 (1967 = 100) in September, 1982, to 97 in September, 1983. Early indications are that it may well have risen by another 10 points in October. The paychecks earned from all this employment growth strongly suggest added consumer buying power in time for what may be the best Christmas season for retailers in the last five years.

The effective exchange rates shown on the *Foreign Exchange Rate* chart have been revised. The new charts show an index (1980-1982 = 100) for each country's trade-weighted appreciation or depreciation, measured against 15 other major currencies. Even on this new basis, low domestic inflation and high interest rates still result in an overappreciated dollar.

Ken Goldstein
Nov. 10, 1983

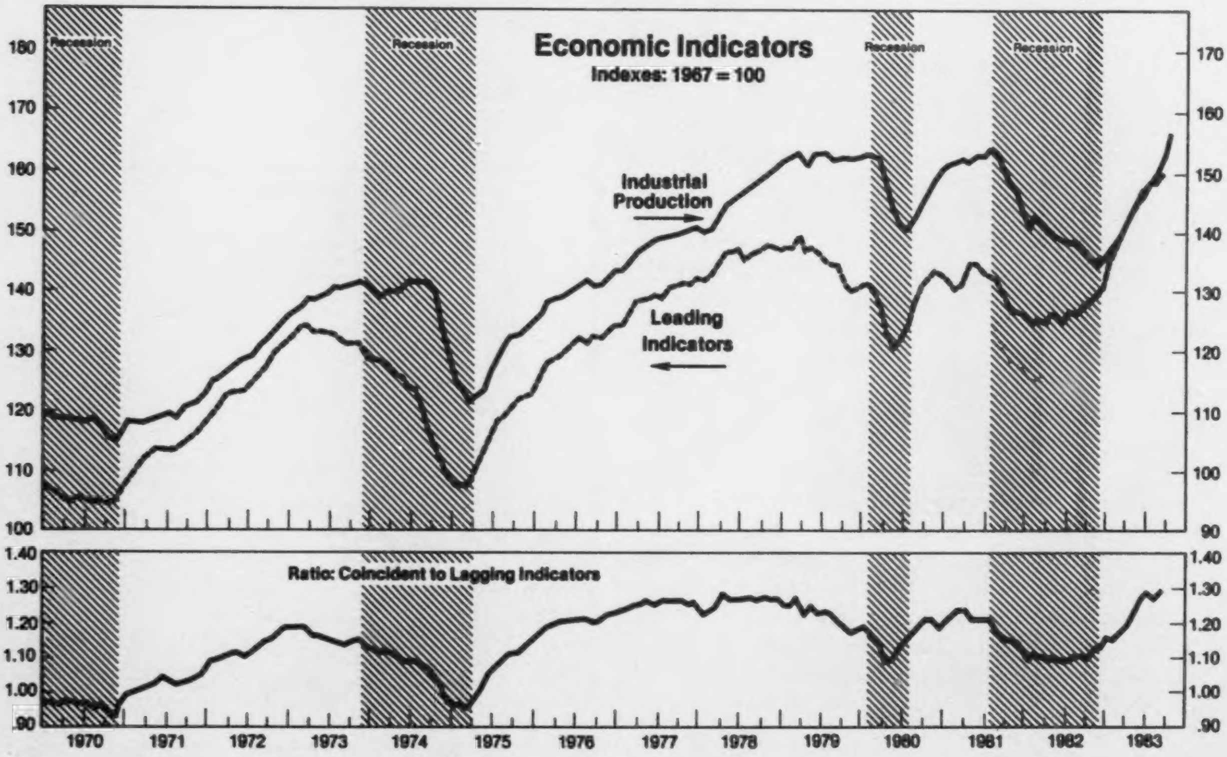


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change from year-ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Sept.	X			+ 1.9%	+ 16.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Sept.	X			+ 2.3%	+ 25.0%
New orders, nondefense capital goods (deflated)	Sept.	X			+ 1.3%	+ 27.2%
*Net business formation	Sept.		X		— 0.9%	+ 4.4%
*Housing permits	Sept.			X	—14.5%	+ 46.3%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Sept.		X		+ 2.5%	+ 18.4%
*Change in inventory, on hand & order (deflated)	Aug.	X			+ 15.0%	+ 21.9%
Purchasing agents' buying policy	Oct.	X			+ 3 %	+ 11 %
*Vendor performance, reported slower deliveries	Sept.	X			+ 8 %	+ 20 %
Industrial raw materials prices	Oct.	X			+ 6.1%	+ 15.4%
*Change in sensitive material prices	Sept.		X		— .1%	+ 1.5%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Sept.		X		+ 0.2%	+ 8.7%
Change in business loans	Sept.			X	—10.9%	—27.9%
*Change in credit outstanding	Aug.	X			+ 13.0%	+ 7.1%
Change in consumer installment debt	Aug.	X			+ 8.3%	+ 39.9%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q	X			+ 17.2%	+ 6.7%
*Common stock prices	Oct.		X		+ 0.9%	+ 27.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct.	X			+ 0.4hr.	+ 1.7hr.
*Initial unemployment claims (inverted)	Oct.		X		0 %	+ 41.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



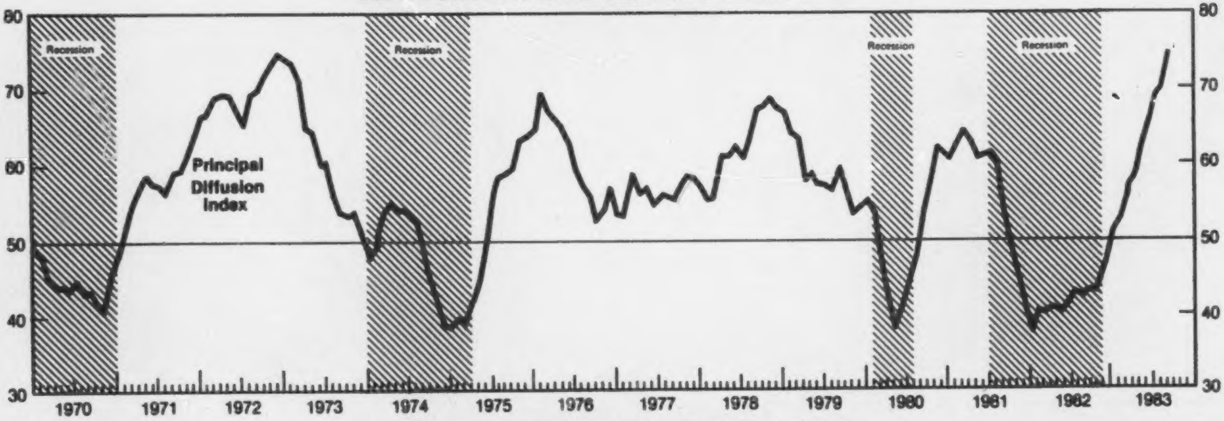
CONFERENCE BOARD DIFFUSION INDEXES

	1982	1983			
DIFFUSION INDEXES	Sept.	June	July	Aug.	Sept.(e)
Principal Diffusion Index	39.8	65.5r	68.9r	70.0r	74.7
Auxiliary Diffusion Index	51.3	59.9r	61.1r	53.3r	65.4
Industrial Group	29.8	67.4	72.6	73.3r	78.9
Nonindustrial Group	49.8	63.6r	65.3r	66.7r	70.5
Sense of Diffusion	-1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	45.7	67.9	73.9	79.9r	85.5
Labor	16.8	66.2	73.3	71.9	77.6
Miscellaneous	38.5	69.9	68.6	66.7	72.4
Nonindustrial Subgroups					
Prices	38.5	70.5	76.3	73.7	78.2
Consumer	58.1	77.4	76.9	70.9	74.8
Building	46.2	51.9	51.9	59.6r	59.0
Miscellaneous	51.5	53.0r	55.3r	62.4r	68.8

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981				1982				1983		
	Feb.	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May.*	*Aug.*
	Score (scale 0-100)										
Measure of Business Confidence	58	61	57	43	47	52	55	60	70	76	75
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	50	57	48	26	23	30	38	44	65	78	82
2. Expectations for Economy, Six Months Ahead	63	64	63	51	59	64	65	70	76	78	74
3. Expectations for Own Industry, Six Months Ahead	61	61	60	52	58	61	61	65	70	72	69

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981	1982				1983		Percent Change From Previous Year		
								1981	1982	1983
	IV	I	II	III	IV	Ir	IIp	Actual	Actual	Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	23.035	25.176	20.025	18.439	21.488	20.176	20.955	2	−18	2
Capital expenditures	26.225	26.660	25.552	23.991	22.887	18.841	18.687	15	− 3	−12
Change in appropriations backlog*	−4.610	−2.259	−7.326	−8.726	−3.395	−0.716	1.319			
Durable Goods										
New appropriations	9.595	8.785	7.398	7.724	8.238	8.197	9.554	−5	−24	8
Capital expenditures	11.016	11.069	10.505	9.684	8.949	7.918	7.795	4	− 7	−16
Change in appropriations backlog*	−1.961	−2.723	−3.903	−4.556	−1.351	−0.606	1.422			
Nondurable Goods										
New appropriations	13.460	16.391	12.627	11.215	13.250	11.979	11.401	7	−14	−2
Capital expenditures	15.209	15.591	15.047	14.307	13.938	10.923	10.892	24	0	−10
Change in appropriations backlog*	−2.649	0.464	−3.423	−4.170	−2.044	−0.110	−0.103			
ELECTRIC & GAS UTILITIES										
New appropriations	8.916	8.803r	8.502r	10.603r	10.803r	6.966	6.327			
Capital expenditures	8.424	8.958r	8.835r	9.018r	9.331r	9.032	9.343			
Change in appropriations backlog*	−3.677	−9.039r	−1.772r	+0.680r	−4.492r	−5.709	−6.307			

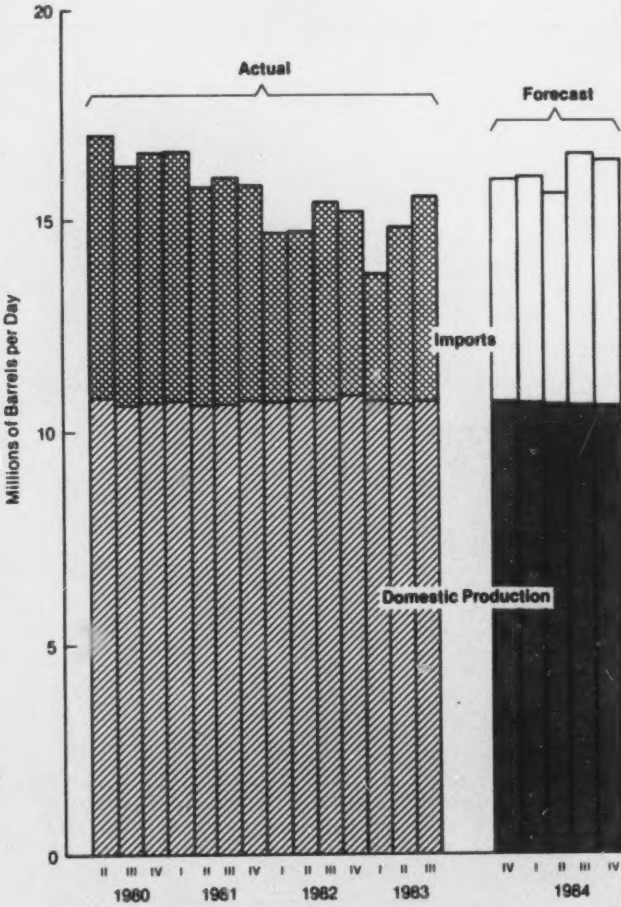
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

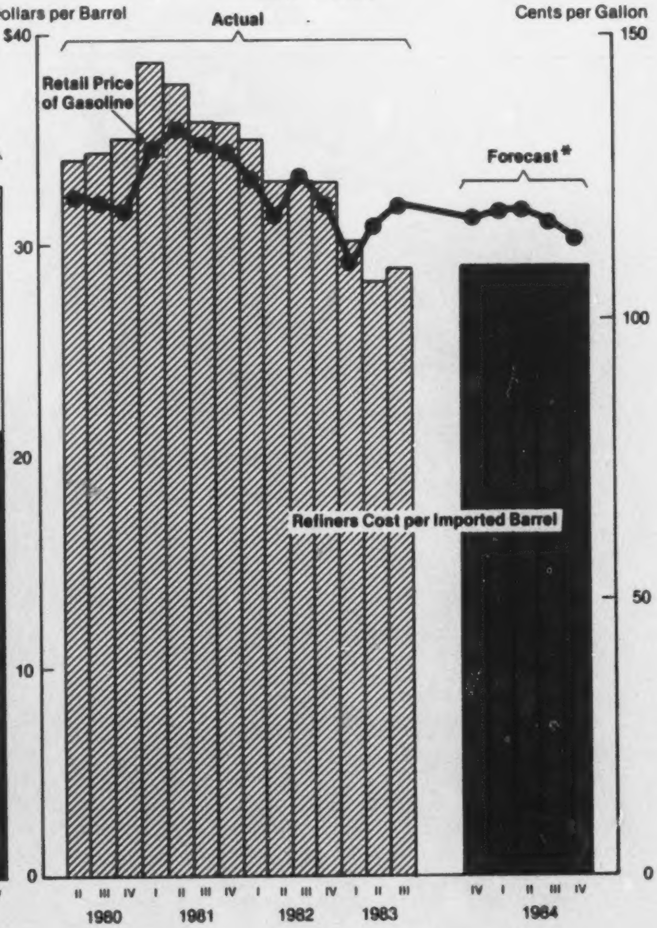
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

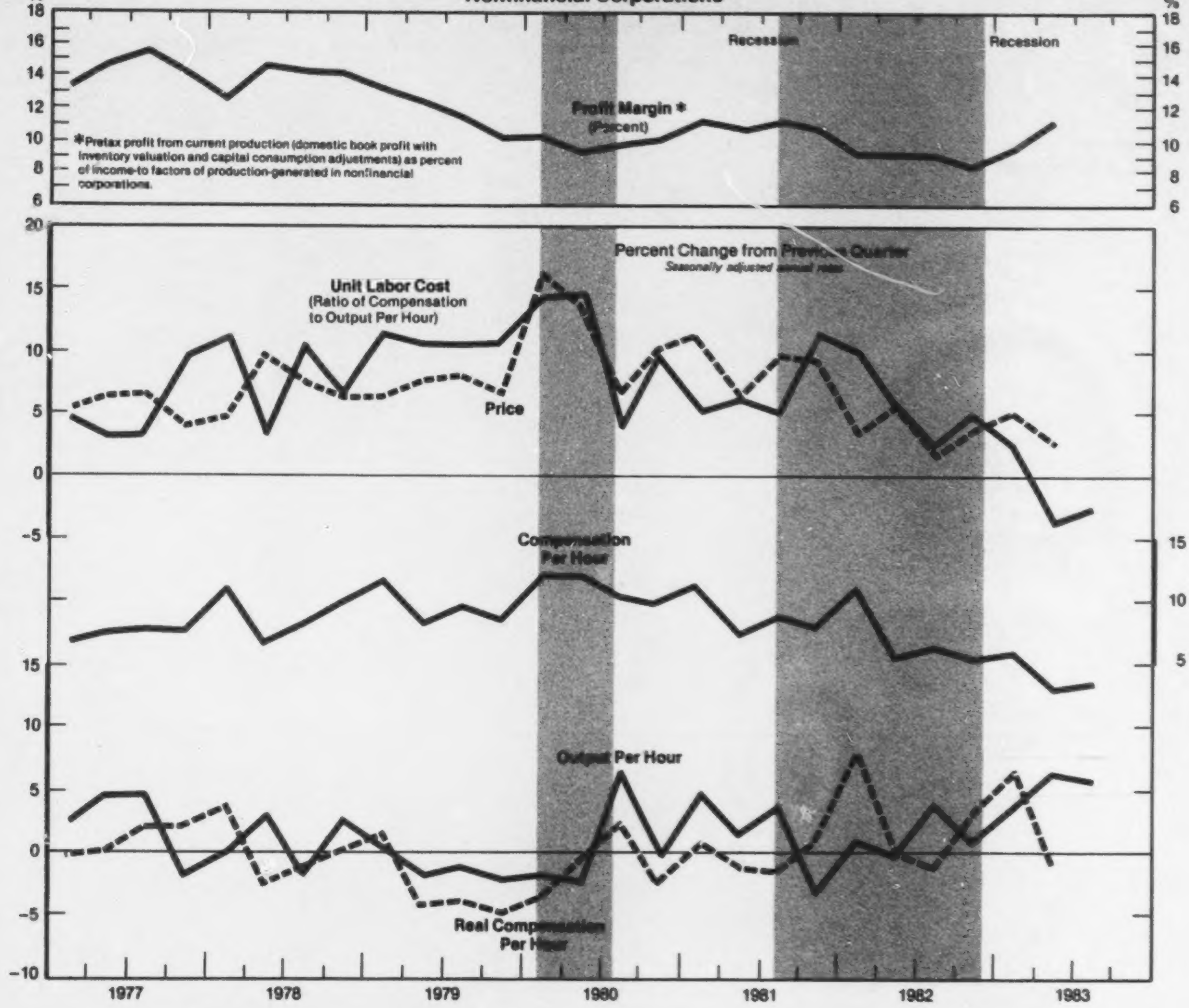


Oil Price



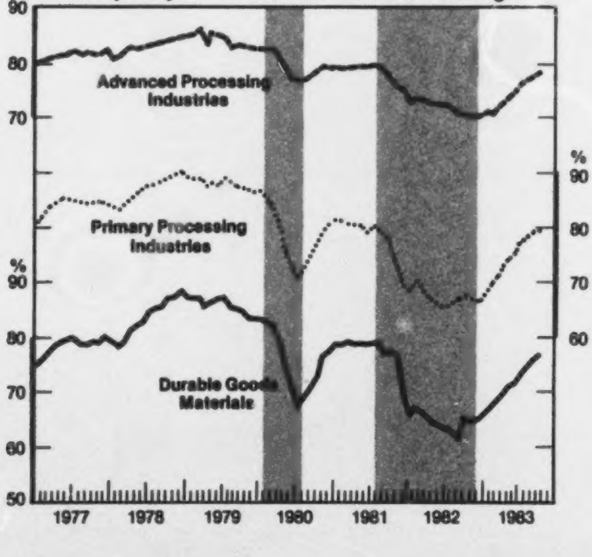
#Source: of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin,
Nonfinancial Corporations

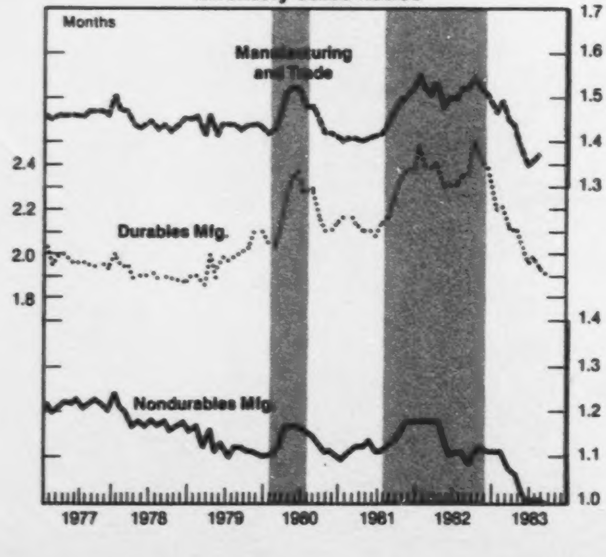


*Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations.

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Oct. 1983*		*Oct. 1983*		*Oct. 1983*		*Oct. 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	1983	III	$3383.3	11.8%			$3383.3	11.8%	$3383.3	11.8%
Forecast		IV	3450.4	10.8	$3439.3	9.7%	3436.1	8.9	3462.4	12.3
	1984	I	3528.9	9.4	3517.2	9.4	3516.5	9.7	3556.6	11.3
		II	3615.7	10.2	3606.9	10.8	3598.7	9.7	3639.9	9.7
		III	3708.4	10.7	3703.5	11.2	3681.9	9.6	3712.9	8.3
		IV	3811.2	11.6	3801.9	11.1	3781.2	11.2	3813.7	11.3
	1985	I	3916.7	11.5			3870.1	9.7	3891.4	8.4
		II	4022.2	11.2			3962.4	9.8	3976.7	9.1
		III	4110.1	9.0			4051.0	9.2	4060.4	8.7
		IV	4188.6	7.8			4135.3	8.8	4150.2	9.1
	1983	Annual	3314.3	7.9	3310.8	7.7	3310.7	7.7	3317.3	8.0
	1984	Annual	3686.1	10.8	3657.4	10.5	3644.6	10.1	3680.8	11.0
	1985	Annual	4059.4	10.7			4004.8	9.9	4019.7	9.2
Gross National Product Billions of Constant (1972) Dollars										
Actual	1983	III	$1554.4	7.9%			$1554.4	7.9%	$1554.4	7.9%
Forecast		IV	1573.8	5.1	$1569.5	4.9%	1569.0	3.6	1581.6	7.2
	1984	I	1587.7	3.6	1584.5	3.9	1584.0	3.9	1604.8	6.0
		II	1605.9	4.7	1602.9	4.7	1603.0	4.9	1623.6	4.8
		III	1625.1	4.9	1623.2	5.2	1622.0	4.8	1636.0	3.1
		IV	1647.1	5.5	1643.0	5.0	1644.0	5.5	1656.7	5.2
	1985	I	1666.6	4.8			1661.0	4.2	1667.8	3.6
		II	1684.3	4.2			1679.0	4.4	1682.8	3.6
		III	1699.1	3.6			1695.0	3.9	1695.4	3.0
		IV	1711.0	2.8			1709.0	3.3	1708.4	3.1
	1983	Annual	1535.9	3.4	1533.9	3.3	1534.7	3.3	1537.6	3.5
	1984	Annual	1616.5	5.2	1613.4	5.2	1613.3	5.1	1630.3	6.0
	1985	Annual	1690.3	4.6			1686.0	4.5	1668.6	3.6
Gross National Product Deflator Index, 1972 = 100										
Actual	1983	III	216.4	3.5%			216.4	3.5%	216.4	3.5%
Forecast		IV	219.2	5.4	219.1	4.6%	219.0	4.9	218.9	4.8
	1984	I	222.3	5.6	222.0	5.3	222.0	5.6	221.6	5.0
		II	225.2	5.3	225.0	5.6	224.5	4.6	224.2	4.7
		III	228.2	5.5	228.2	5.7	227.0	4.5	226.9	5.0
		IV	231.4	5.7	231.4	5.6	230.0	5.4	230.2	5.8
	1985	I	235.0	6.4			233.0	5.3	233.3	5.5
		II	238.8	6.7			236.0	5.2	236.3	5.2
		III	241.9	5.3			239.0	5.2	239.5	5.5
		IV	244.8	4.9			242.0	5.1	242.9	5.8
	1983	Annual	215.7	4.3	215.8	4.3	215.7	4.3	215.7	4.2
	1984	Annual	226.7	5.1	226.6	5.0	225.9	4.7	225.7	4.7
	1985	Annual	240.1	5.9			237.5	5.1	238.0	5.4
Unemployment Rate										
Actual	1983	III	9.4%		9.4%		9.4%		9.4%	
Forecast		IV	9.0		9.1		9.2		9.1	
	1984	I	8.6		9.0		9.2		8.9	
		II	8.4		8.7		8.9		8.7	
		III	8.2		8.4		8.6		8.7	
		IV	8.1		8.2		8.3		8.5	
	1985	I	8.0				8.1		8.4	
		II	8.0				7.8		8.3	
		III	7.9				7.6		8.2	
		IV	7.8				7.5		8.2	
	1983	Annual	9.7		9.8		9.8		9.8	
	1984	Annual	8.3		8.6		8.8		8.7	
	1985	Annual	7.9				7.8		8.3	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (2nd revision) second quarter data.

[2] Preliminary third quarter data.

ECONOMIC FORECASTS (continued)

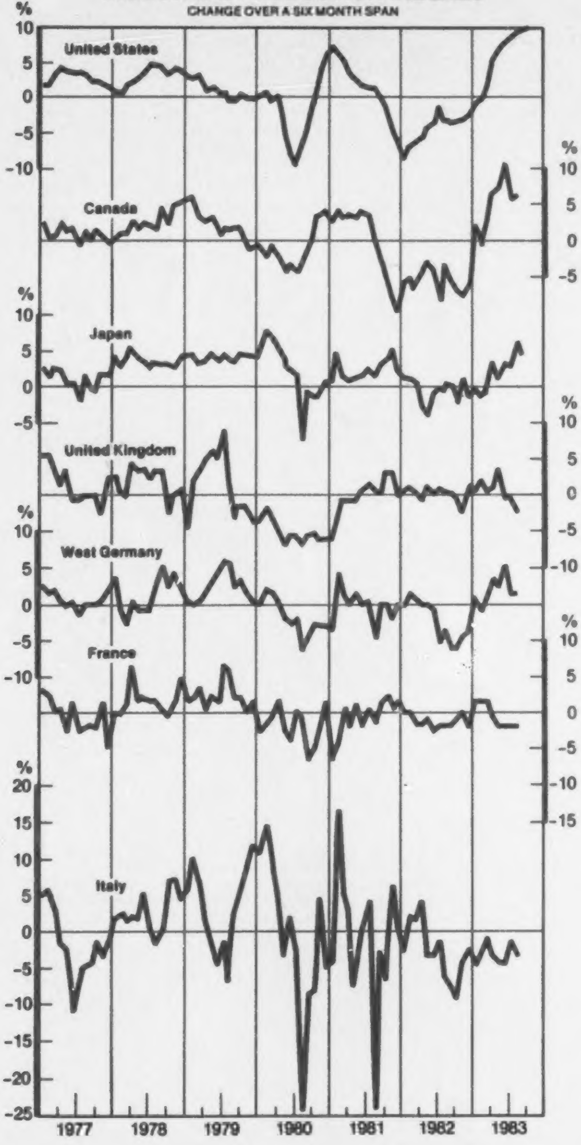
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Oct. 1983		*Oct. 1983*		*Oct. 1983*		*Oct. 1983*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3363.3	11.8%	$3363.3	11.8%	$3363.3	11.8%	$3363.3	11.8%	III	1983	Actual
3468.0	13.0	3441.9	9.7	3453.2	11.1	3357.7	11.7	IV		Forecast
3552.0	10.0	3519.8	9.4	3544.7	11.0	3543.7	10.3	I	1984	
3629.0	9.0	3601.1	9.6	3632.5	10.3	3634.9	10.7	II		
3704.0	8.5	3685.5	9.7	3716.7	9.6	3722.5	10.0	III		
3803.0	11.1	3780.3	10.7	3794.6	8.7	3815.6	10.4	IV		
		3880.1	11.0	3866.7	7.8	3899.6	9.1	I	1985	
		3964.5	9.0	3935.9	7.4	3990.7	9.7	II		
		4042.7	8.1	4008.6	7.6	4076.1	8.8	III		
		4130.2	8.9	4088.9	8.3	4151.5	7.6	IV		
3318.7	8.0	3312.2	7.8	3315.0	7.9	3316.1	7.9	Annual	1983	
3672.0	10.6	3646.7	10.1	3672.1	10.8	3679.2	10.9	Annual	1984	
		4004.4	9.8	3975.0	8.2	4029.5	9.5	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1554.4	7.9%	$1554.4	7.9%	$1554.4	7.9%	$1554.4	7.9%	III	1983	Actual
1586.4	8.5	1572.1	4.6	1574.8	5.4	1577.9	6.2	IV		Forecast
1604.3	4.6	1587.1	3.9	1594.4	5.1	1598.7	5.4	I	1984	
1615.4	2.8	1602.8	4.0	1612.8	4.7	1619.3	5.3	II		
1626.1	2.7	1619.8	4.3	1630.0	4.3	1636.5	4.3	III		
1645.4	4.8	1635.2	3.9	1643.6	3.4	1651.9	3.8	IV		
		1649.5	3.5	1654.6	2.7	1666.0	3.5	I	1985	
		1659.7	2.5	1663.8	2.2	1682.0	3.9	II		
		1669.1	2.3	1674.3	2.5	1694.5	3.0	III		
		1679.1	2.4	1685.3	2.7	1699.7	1.2	IV		
1539.0	3.6	1535.4	3.4	1536.1	3.4	1536.9	3.5	Annual	1983	
1622.8	5.4	1611.2	4.9	1620.2	5.5	1626.6	5.8	Annual	1984	
		1664.4	3.3	1669.5	3.0	1685.6	3.6	Annual	1985	
								Gross National Product Deflator Index, 1972 = 100		
216.4	3.6%	216.4	3.6%	216.4	3.6%	216.4	3.6%	III	1983	Actual
218.6	4.2	218.9	4.8	219.3	5.5	219.1	5.2	IV		Forecast
221.4	5.2	221.8	5.3	222.3	5.7	221.7	4.7	I	1984	
224.7	6.0	224.7	5.3	225.2	5.3	224.5	5.2	II		
227.8	5.7	227.5	5.2	228.0	5.0	227.5	5.4	III		
231.1	6.0	231.2	6.6	230.9	5.1	231.0	6.3	IV		
		235.2	7.2	233.7	5.0	234.1	5.5	I	1985	
		238.9	6.3	236.6	5.0	237.3	5.6	II		
		242.2	5.7	239.4	4.9	240.5	5.7	III		
		246.0	6.4	242.6	5.5	244.2	6.3	IV		
215.6	4.2	215.7	4.2	215.8	4.3	215.7	4.3	Annual	1983	
226.2	4.9	226.3	4.9	226.6	5.0	226.1	4.8	Annual	1984	
		240.6	6.3	238.1	5.1	239.0	5.7	Annual	1985	
								Unemployment Rate		
9.4%		9.4%		9.4%		9.4%		III	1983	Actual
8.7		8.9		8.9		9.1		IV		Forecast
8.4		8.7		8.5		9.0		I	1984	
8.3		8.5		8.3		8.7		II		
8.3		8.4		8.1		8.5		III		
8.1		8.3		8.0		8.3		IV		
		8.2		7.9		8.1		I	1985	
		8.2		8.0		7.9		II		
		8.2		8.0		7.6		III		
		8.2		8.0		7.7		IV		
9.7		9.7		9.7		9.8		Annual	1983	
8.3		8.5		8.2		8.6		Annual	1984	
		8.2		8.0		7.8		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

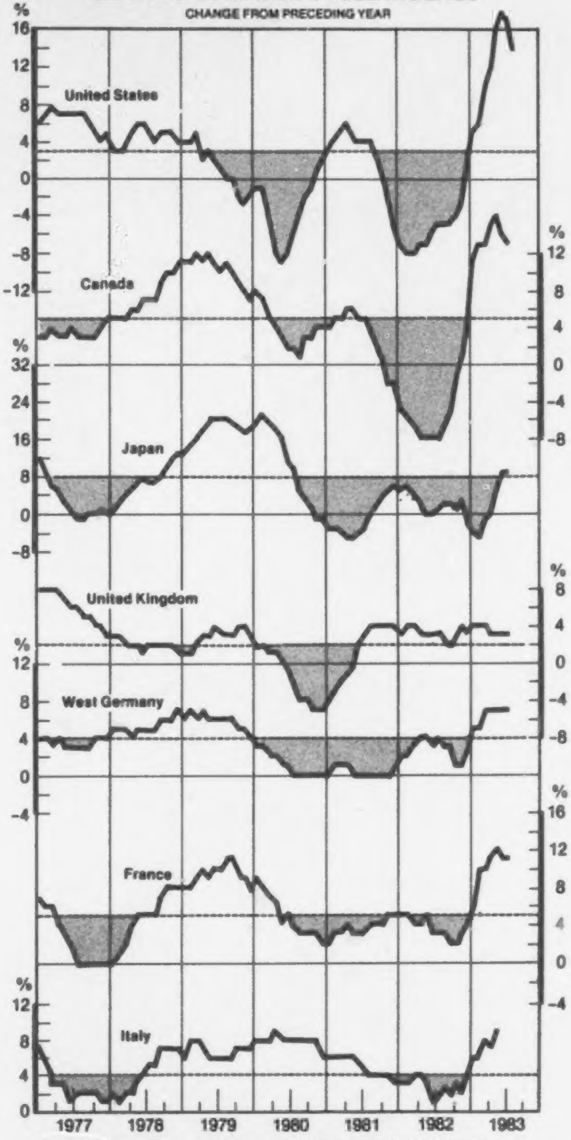
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



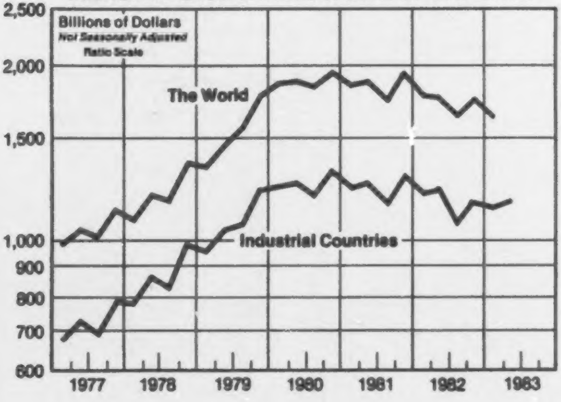
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

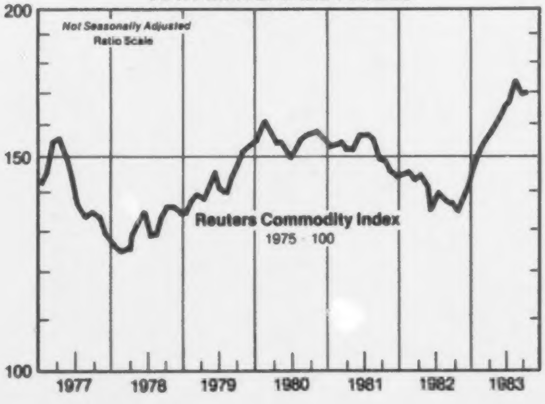


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

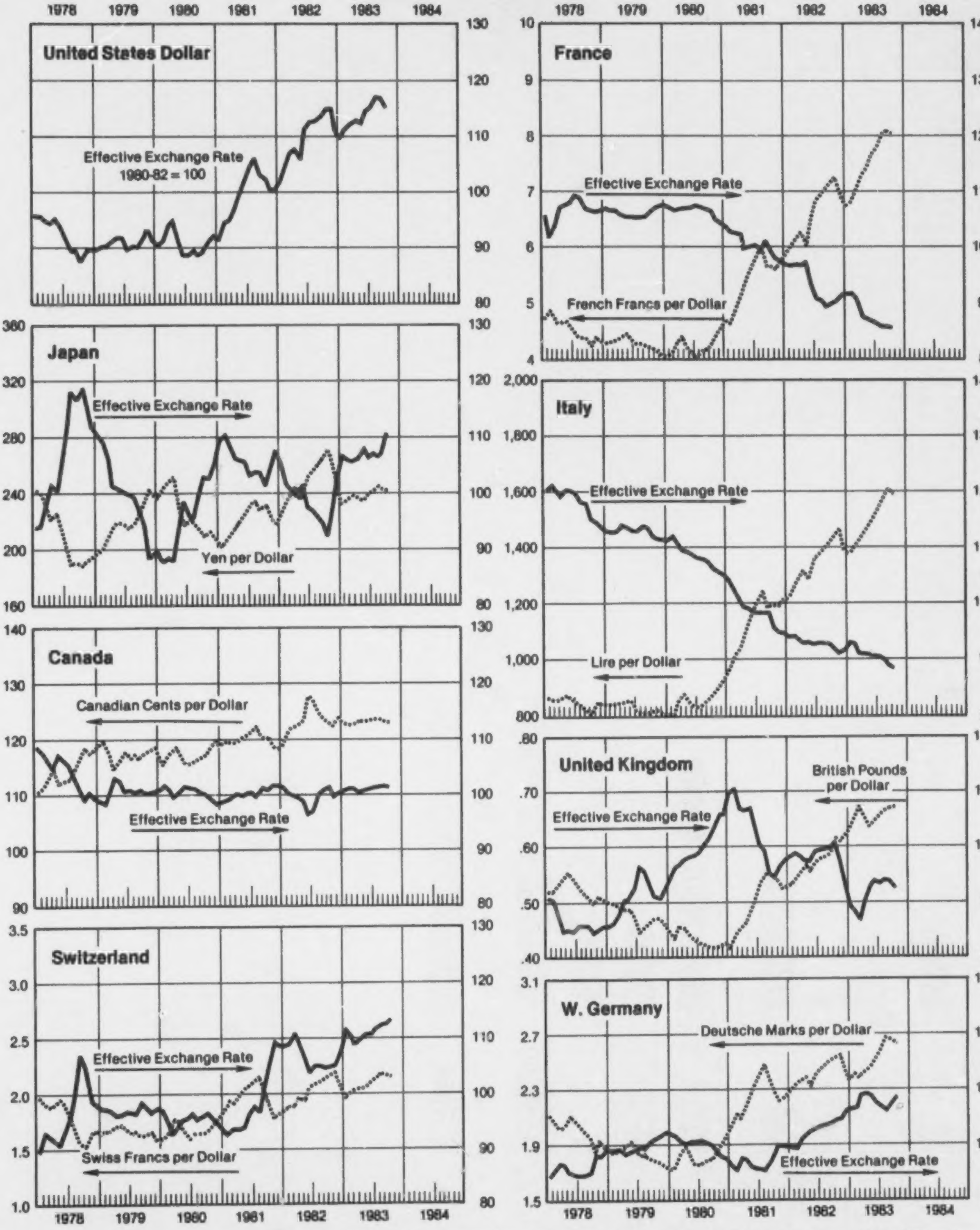


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

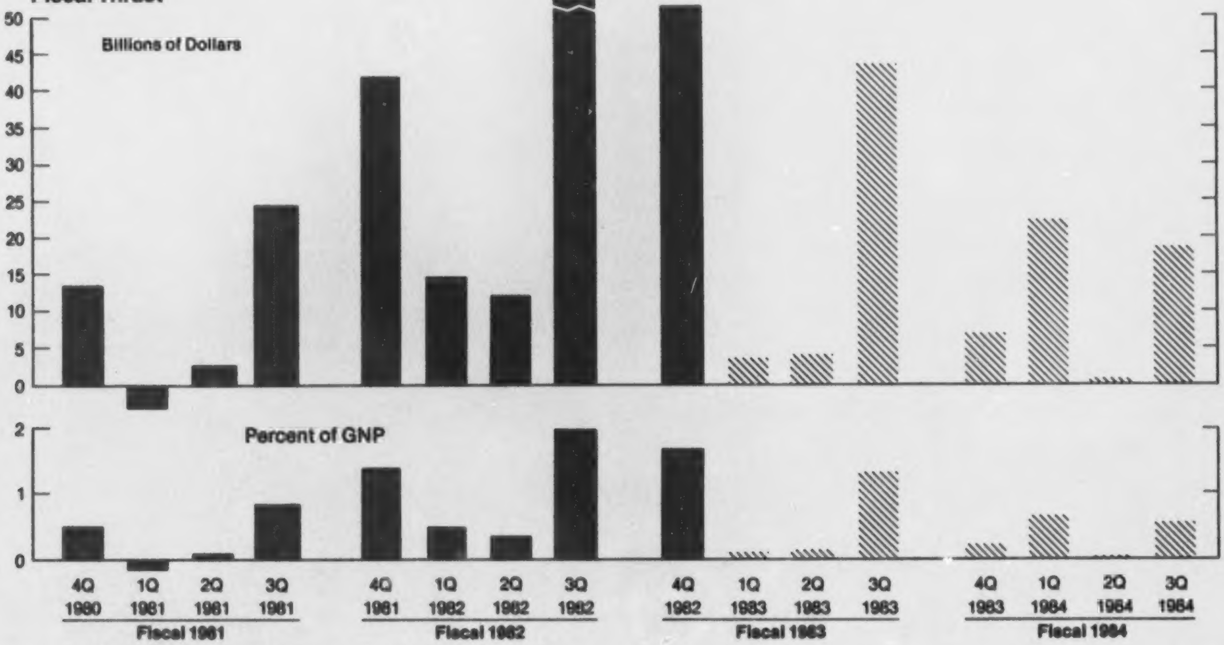
Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual (10/26/82)	President's Proposal (7/25/83)	Congressional Estimate (9/1/82)	Current Service (7/25/83)	President's Proposal (7/25/83)	Congressional Estimate (6/20/83)
Receipts	$617.8	$599.9	633.0	665.6	668.4	679.6
Outlays	728.4	809.8	788.0	866.0	848.1	849.5
Deficit	−110.6	−209.8	−155.0	−200.4	−179.7	−169.9
Receipts by source	617.8	599.9	633.0	665.6	668.4	679.6
Individual income taxes	298.1	288.5	298.0	294.6	296.0	
Corporate income taxes	49.2	35.2	47.0	64.1	64.1	
Social insurance	201.1	211.1	217.0	240.0	241.4	242.3
Other receipts	69.4	65.1	71.0	66.9	66.9	
Outlays by function	728.4	809.8	788.0	866.0	848.1	849.5
Income security	248.8	279.4	270.0	278.5	275.2	278.8
National defense	187.4	214.8	216.0	245.4	242.3	240.0
Health	74.0	82.3	79.0	92.4	90.5	92.6
Education and manpower	25.4	27.2	27.0	27.9	26.5	28.4
Transportation	20.6	21.1	20.0	28.0	25.9	26.0
Veterans' benefits	24.0	24.9	24.0	25.5	25.5	25.5
International affairs	10.0	11.0	13.2	13.1	13.5	13.0
Natural resources and environment	13.1	12.5	11.0	12.0	10.8	12.5
Agriculture	14.8	25.3	15.0	16.9	13.8	11.5
General science	7.1	7.8	8.0	8.2	8.3	8.3
Community development	7.4	7.4	8.0	7.9	7.8	8.1
Revenue sharing	6.2	6.4	6.0	6.6	6.8	7.2
General government	4.8	5.8	5.0	5.4	5.6	5.6
Justice	4.6	5.3	5.0	5.4	5.5	5.9
Energy	4.8	4.6	5.0	4.4	4.4	4.3
Commerce and housing credit	3.8	5.1	2.0	3.3	2.8	2.3
Interest	100.8	89.0	115.0	104.9	103.5	97.1
Allowances	—	—	−3.0	1.9	0.9	0.8
Undistributed offsetting receipts	−29.3	−19.9	−36.0	−20.0	−21.0	−18.1

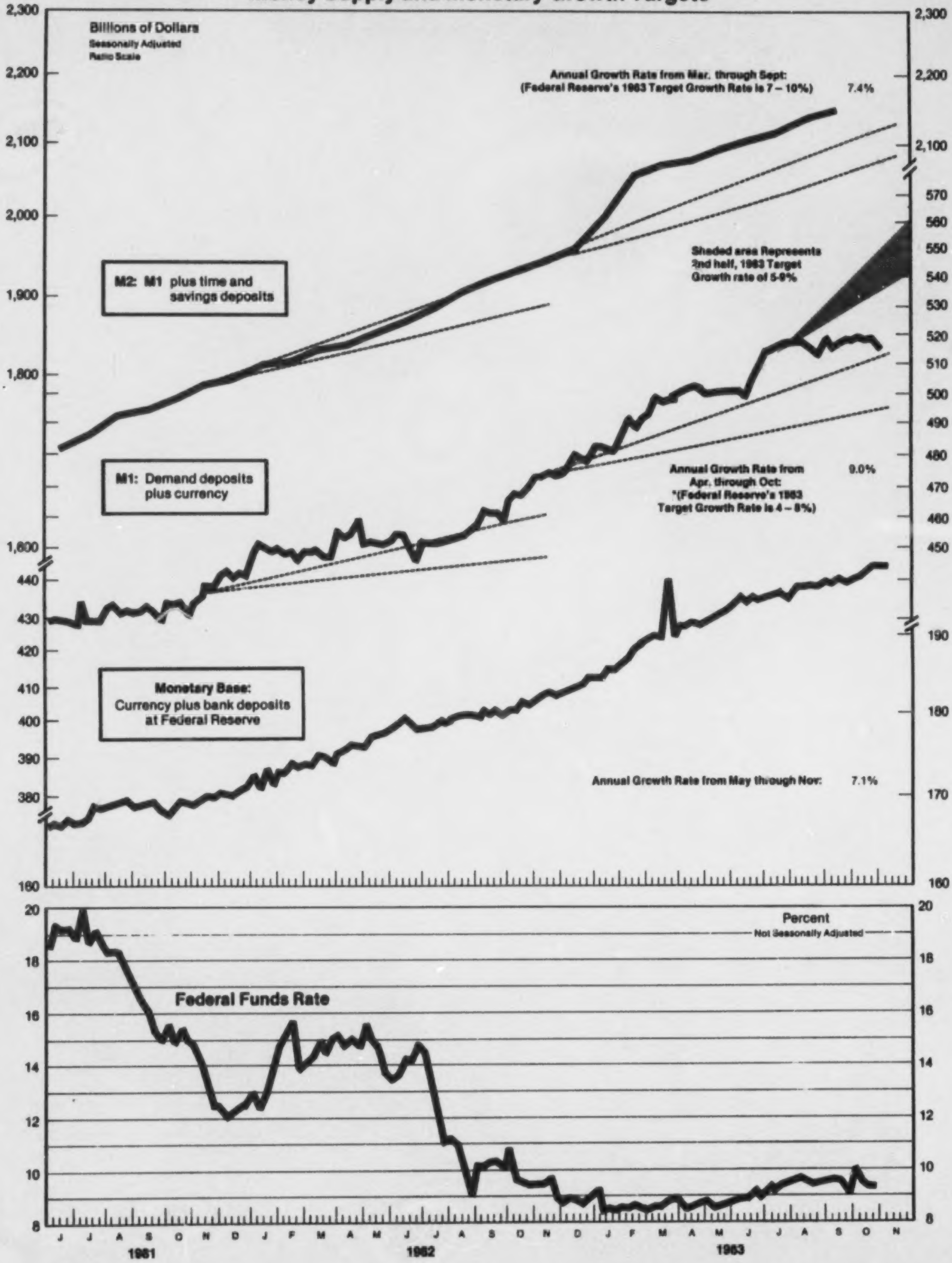
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1980

Money Supply and Monetary Growth Targets



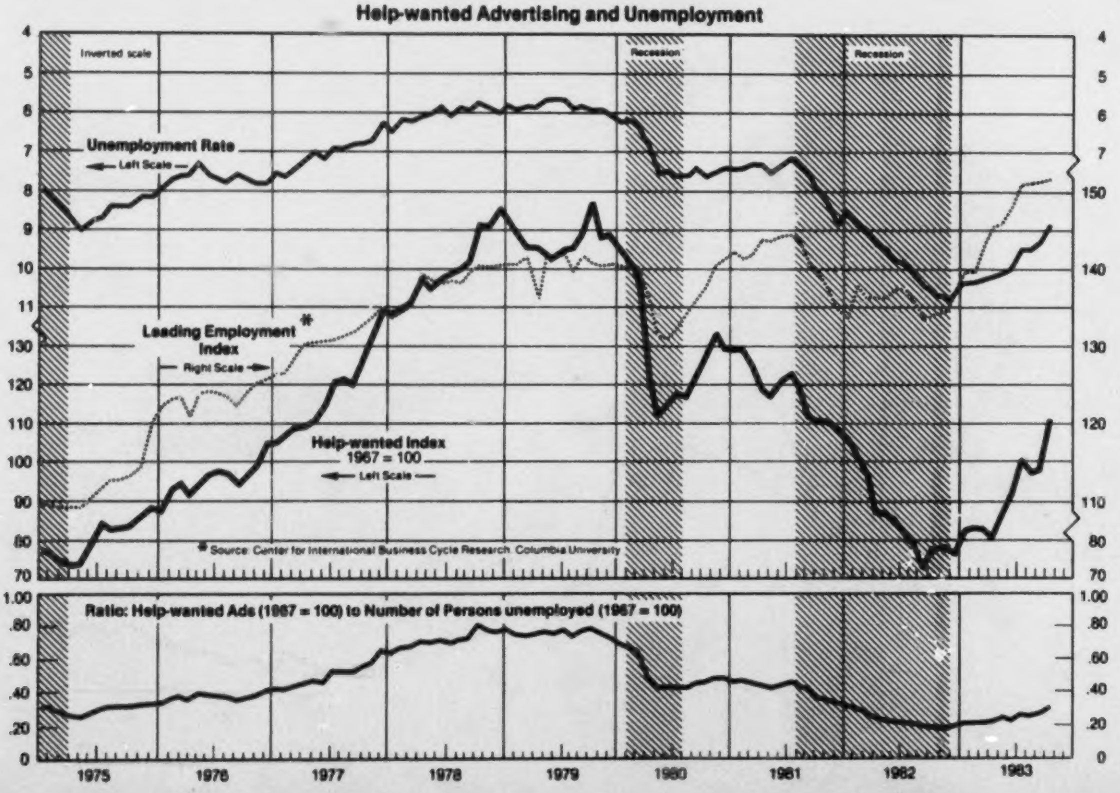
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983 Sept.	1983 Aug.	1983 July	1982 Sept.
Total Index				
51 papers	96	97r	100	73
New England	102	103	108	73
Boston	115	114	121	79
Hartford	101	104	105	82
Providence	61	64	87	45
Middle Atlantic	48	50	53	42
Albany	85	90	88	70
Allentown	96	104	138	66
New York	46	46	45	41
Philadelphia	42	46	50	38
Pittsburgh	41	45	52	40
Rochester	46	50	63	45
Syracuse	68	69	78	61
East North Central	53	50	57	38
Chicago	63	49	54	38
Cincinnati	67	73	79	50
Cleveland	37	40	45	34
Columbus	73	76	83	60
Dayton	43	46	48	35
Detroit	37	36	52	26
Gary	83	80	96	85
Indianapolis	47	57	64	35
Milwaukee	38	37	41	29
Toledo	66	69r	68	60
West North Central	57	57	62	39
Kansas City	86	82	85	58
Minneapolis	45	45	51	28
Omaha	91	100	93	70
St. Louis	41	43	50	32
South Atlantic	111	114	123	77
Atlanta	189	186	202	120
Baltimore	72	89	77	56
Charlotte	98	103	108	65
Jacksonville	151	164	163	102
Miami	75	75	78	60
Richmond	65	66	79	47
Washington, D.C.	111	109	131	76
East South Central	91	94	103	70
Birmingham	96	101	111	74
Knoxville	149	150	144	125
Louisville	48	50	56	36
Memphis	84	86	89	65
Nashville	115	115	145	81
West South Central	226	219	222	180
Dallas	299	291	285	202
Houston	297	276	282	251
New Orleans	111	117	123	109
Oklahoma City	124	131	137	[illegible]
San Antonio	156	159	158	117
Tulsa	121	115	136	96
Mountain	209	204r	201	132
Denver	158	162r	160	102
Phoenix	281	255	261	162
Salt Lake City	206	212	198	149
Pacific	151	147	141	111
Los Angeles	117	119	109	88
Sacramento	228	225	228	184
San Bernardino	119	114	112	91
San Diego	301	272	273	205
San Francisco	164	152	147	113
Seattle	165	162	165	131
Percentage of papers with rising volume	35%	27%	90%	10%
Unemployment rate	9.3%	9.5%	9.5%	10.1%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	70.0	63.5	71.8	75.0	79.9	79.8	78.6	78.8	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.8	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8r	85.2p		

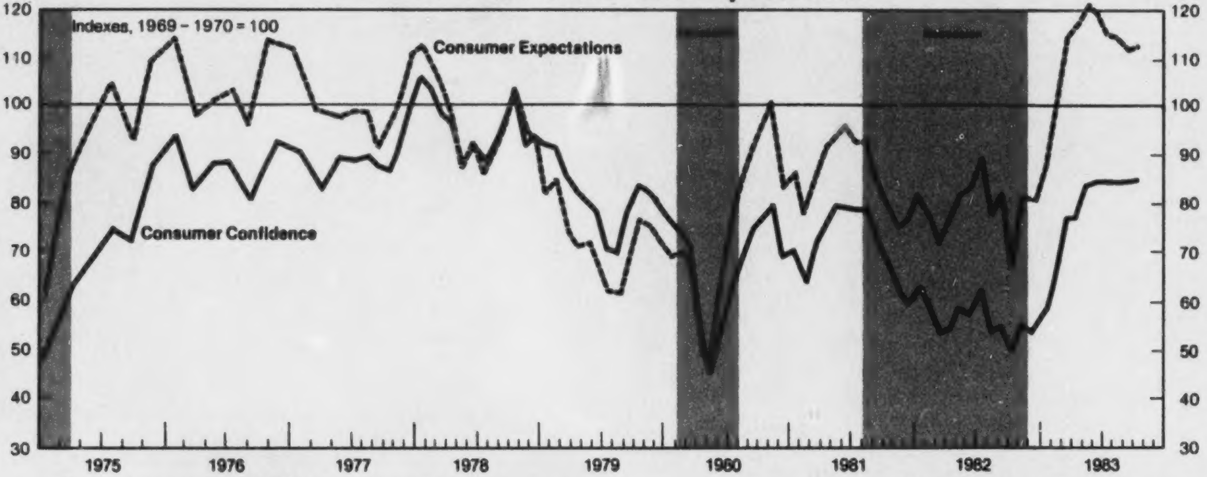
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	86.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5r	107.8p		

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

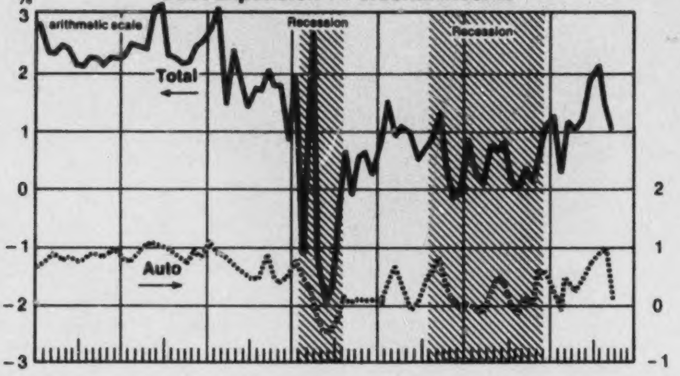
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

			Discretionary			Ratios			
		Aggregate Purchasing Power (APP)	Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.[illegible]	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	245[illegible].0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

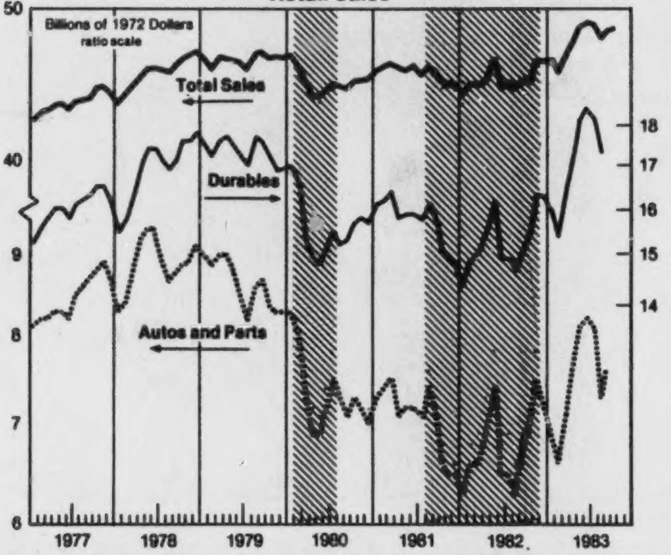
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised

Consumer Installment Debt Expansion + Personal Income



Retail Sales



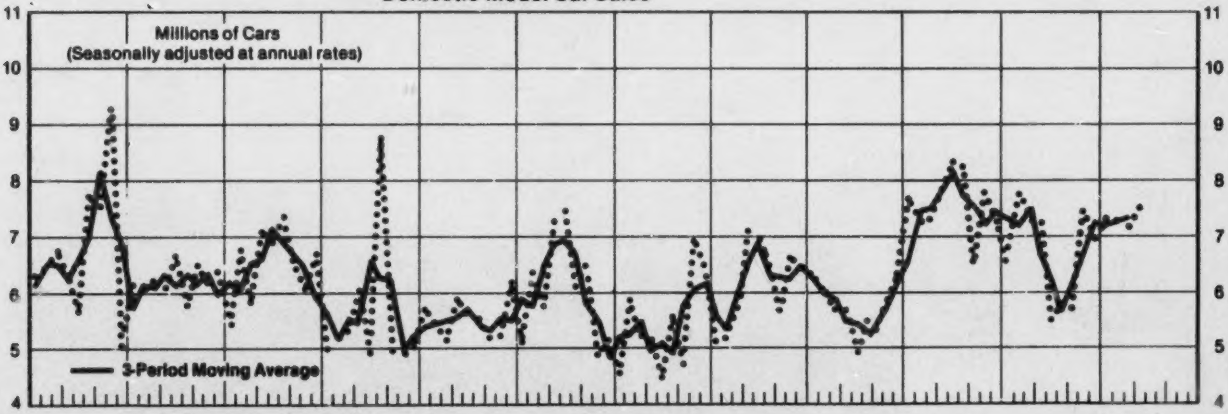
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

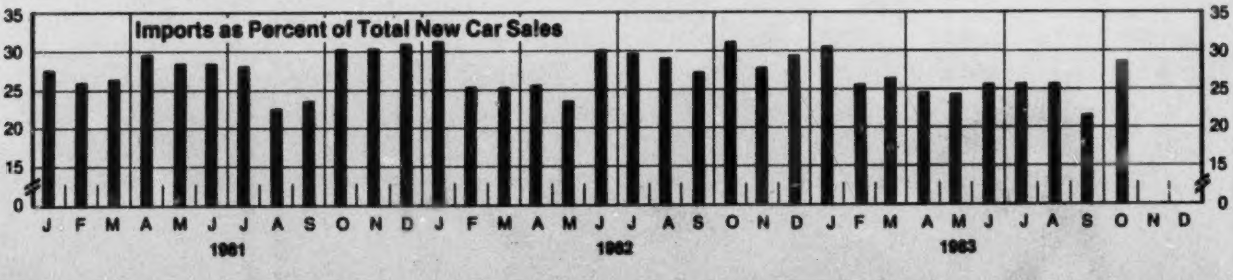
Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.87	6.27	5.68	6.34
	11-20	7.08	6.44	5.43	6.08
	21-31	9.17	6.74	5.17	5.69
February:	1-10	6.88	6.30	5.88	5.68
	11-20	8.28	5.65	5.61	4.93
	21-28(29)	6.36	7.70	5.54	5.55
March:	1-10	6.98	7.55	5.18	5.32
	11-20	7.18	9.29	5.24	5.62
	21-31	6.12	5.02	6.16	6.22
April:	1-10	7.02	6.18	5.11	6.76
	11-20	5.94	6.01	6.38	6.77
	21-30	5.90	6.22	5.77	6.52
May:	1-10	5.78	6.09	7.26	7.68
	11-20	6.10	6.64	7.47	7.25
	21-31	5.17	5.76	6.06	7.32
June:	1-10	5.95	6.50	6.51	7.83
	11-20	6.78	6.18	4.83	8.37
	21-30	6.74	6.35	5.17	8.25
July:	1-10	6.60	5.45	4.54	6.56
	11-20	6.41	6.78	5.88	7.78
	21-31	6.59	5.80	5.22	7.26
August:	1-10	5.44	7.08	5.18	7.27
	11-20	5.81	6.91	4.48	5.47
	21-31	6.00	7.38	5.58	5.79
September:	1-10	6.05	6.57	4.70	5.70
	11-20	5.58	6.09	6.95	7.43
	21-30	6.74	6.67	6.49	6.95
October:	1-10	7.60	4.98	5.09	7.33
	11-20	7.09	5.18	5.16	7.28
	21-31	6.49	5.32	5.68	7.17
November:	1-10	7.03	6.05	7.10	7.50
	11-20	7.10	4.93	6.94	
	21-30	6.11	8.75	6.49	
December:	1-10	6.88	4.98	5.64	
	11-20	7.08	4.88	6.62	
	21-31	5.81	5.03	6.46	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 16, No. 12, December, 1983

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The Conference Board

COMMENT

Just when we began to get used to the idea that the recovery was not subdued and moderate, but was following the same script employed in earlier upturns of the business cycle, along come a few new twists in the subplots. For example, it is exceedingly rare to see unemployment drop by a full percentage point in just two months. Yet the rate went from 9.3% in September to 8.4% in November, in the face of not especially favorable circumstances. The Conference Board's *Help-wanted Index*, a measure of the demand for labor, stood at 100 (1967 = 100) in July, but fell to 97 in August and recovered to only 98 in September. That suggests that demand for new workers was rising rather slowly, which was certainly consistent with the widely held premise that production would be rising faster than employment. Indeed, employment continued to grow at a modest pace. The employed portion of the working-age population (jobholders in relation to everyone over the age of 15) stood at 58.6% in August, rose to 58.8% in September, but then fell back to 58.7% in October. Yet the unemployment rate (jobless in relation to the labor force, not just to the total working-age population) plunged from 9.3% to 8.8% in October. Slow improvement in labor demand probably discouraged some of the idled workers (especially men aged 40 and over) from continuing their job search. Thus, the number of unemployed fell sharply in September because a few found work but a lot more were simply reclassified as no longer in the labor force.

The plot thickened in October. The *Help-wanted Index* surged to 111 and early returns indicate that it may have moved a little higher in November. Labor demand, then, took off in October, as a result of both renewed strength in consumer spending and an anticipation of an unusually strong holiday season for retailing. Confirmation of this rise in labor demand came in the form of further improvement in the unemployment rate—down to 8.4% in November. This time the improvement was attributable more to the number of job seekers who found work—almost three-quarters of a million of them. There remain some loose ends that will have to be tied up before the curtain comes down on this part of the story. One loose end is what will happen to all those idled workers who have stopped looking for jobs. Will continued economic improvement induce them to try one more time to land a job? If so, we could see the statistical anomaly of continued economic expansion accompanied, for a time, by higher unemployment rates.

Meanwhile, back at the Federal Reserve Board, some further twists have been added to the story line. As was the case in the two prior quarters, the passage of time has made it clearer that real output grew surprisingly strongly in the fourth quarter. A year ago, the concensus of the *Economic Forecasts* was that real GNP would rise by 3.9%, 4.4%, and 4.3% in the last three quarters of 1983 (seasonally adjusted at annual rates). Those expected growth rates depicted a rather subdued recovery. But, given the very strong fiscal and monetary stimulus applied to the economy, actual growth greatly exceeded those earlier expectations—despite the persistence of very high real interest rates (rates of interest in relation to the rate of inflation). The consensus of the *Economic Forecasts* is now that growth was probably around 6.2% in the fourth quarter of 1983—and may even have been as high as 8.2 percent. The further complication in the plot is that monetary stimulus has vanished into thin air. Money supply M1 (demand deposits plus currency) stopped growing at all in the fourth quarter. Thus, economic activity continued to expand rapidly even though it was being fed a greatly reduced monetary diet. That implies that velocity—the rate at which money changes hands—increased very sharply in the fourth quarter. A surge in velocity is usually associated with a rise in interest rates. However, as shown on the *Money Supply and Monetary Targets* chart, the Federal Funds rate—the rate at which banks borrow from other banks—remained in a narrow range of 9 to 9½ in October and November. And the prime interest rate did not change at all in those two months. This cabbage patch of complications with regard to interest rates, money growth, velocity and real output expansion cannot go on for very long. This tangle of subplots requires some tidying up in order to keep the basic story line of continued economic expansion from getting twisted into a horror movie: Stagnation III.

Pervasive and persistent fear of a renewal of escalating inflation has limited the Federal Reserve's options with regard to monetary stimulus. The move to restrict monetary growth even more than was suggested by the July revision in money-growth targets probably stems from a perceived need to calm fears of renewed inflation. New money-growth targets for 1984 will be announced shortly. The message likely to be contained in the announcement is that a tight rein will be kept on the expansion of money supply. Undoubtedly, money will not be allowed to grow as fast in 1984 as it did in 1983, nor as slowly

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

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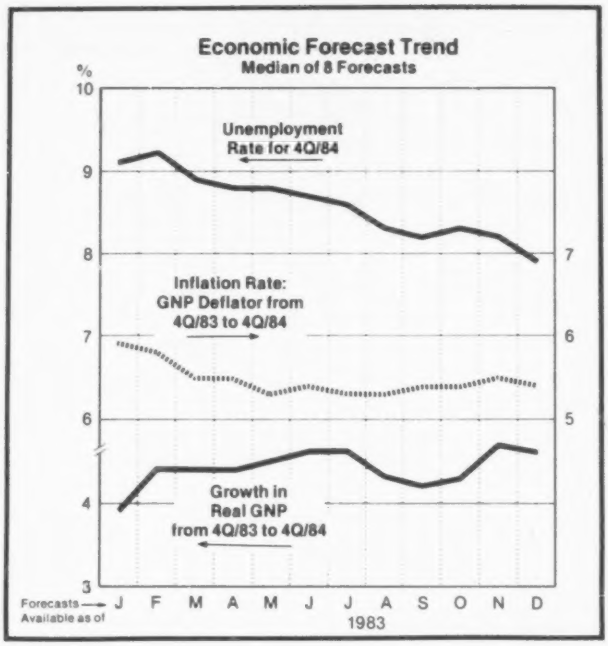


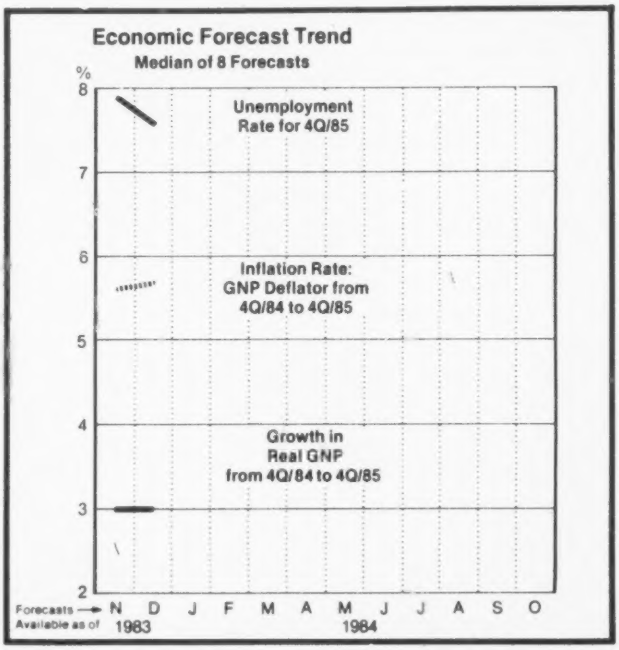
as in the fourth quarter. Once again, monetary policy seems to be not to allow enough growth to feed both real output expansion and price increases.

A major concern is what effect a reduced money diet will have on credit-market operations. The risk is that if credit demand expands, upward pressure will build on interest rates. High rates are already limiting purchases of new cars and homes as well as holding back inventory rebuilding. Consumer borrowing to finance the purchase of durable goods, and business borrowing to finance inventory buildup, are not likely to expand very much in 1984; in fact, they may even subside somewhat later in the year. On the other hand, the credit market will continue to be called upon to help finance very large Federal Government deficits. (It is a safe bet that taxes will not be raised just before the election.) Pressure may come, then, in the form of increased business borrowing to finance investment. "Crowding out" never developed in 1983 because money growth kept the credit market well supplied with funds and business borrowing was not terribly strong. The anticipation is that the supply of funds will be slowed in 1984, and business will be more active in the market.

The Conference Board's *Capital Appropriations and Expenditures* survey shows that spending on plant and equipment by the nation's 1,000 largest manufacturers fell in the third quarter of 1983, the sixth consecutive quarterly decline. Excluding the volatile petroleum industry, expenditures were 24% lower in the third quarter of 1983 than they were two years earlier. Industry executives do not expect to make up all that lost ground in 1984. Survey respondents said they expected nonpetroleum spending on plant and equipment to rise by 15%, which is a reasonably strong gain in an absolute sense but not particularly strong against the background of severe weakness in recent years. High interest rates, which threaten to go even higher, may well be the dominant factor in this tepid expectation. Stronger investment increases overall credit demand, and thereby puts upward pressure on interest rates. Higher rates, in turn, limit the degree to which investment recovers in 1984. This is not so much a new twist in the plot as a new variation on an old theme. At about this time last year, some analysts were saying that high interest rates would constrict the overall economic recovery. High rates obviously have not retarded the pace of recovery to date, partly because monetary policy turned out to be more stimulative than anyone had anticipated. But, as suggested earlier, policy options are more limited now than they were last year.

The script for 1984 calls for continued inventory buildup in the early months of the year. Consumer demand is expected to remain strong early on but to moderate in the second half of the year. Hence, it still reads that 1984 is the year a consumer-led recovery gives way to an investment-sustained expansion. The *Economic Forecasts* show real output growing by 4.9%, 4.6%, 4.5%, and 4.4% in the four quarters of 1984, respectively (median of the forecasts). Inflation is expected to remain in a range of 5 to 6% during this year. The more pessimitic views are that real output growth might slow even more, to only 3 to 3½% during the year, or that inflation might creep up to about 6½% by the fourth quarter of 1984.

Ken Goldstein
December 9, 1983

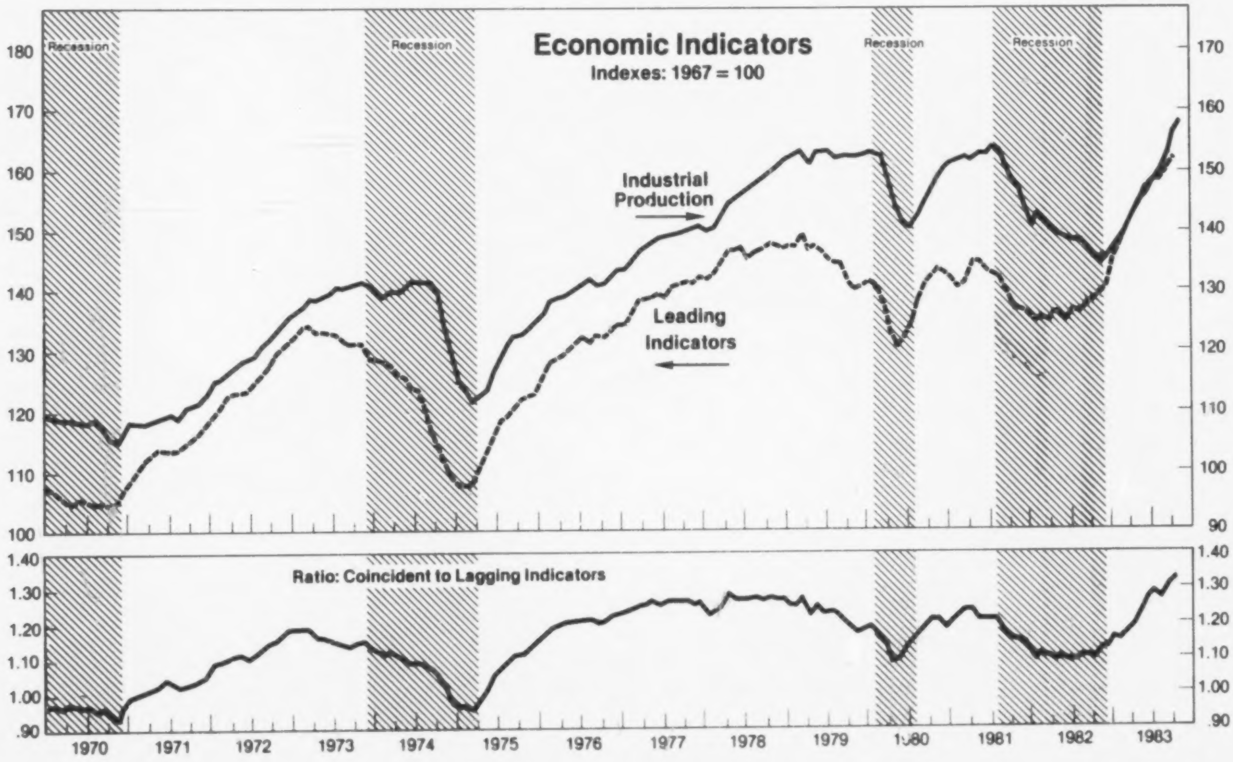


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change from year-ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Oct.	X			+ 2.3%	+ 16.7%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Oct.	X			+ 23.2%	+ 29.2%
New orders, nondefense capital goods (deflated)	Oct.	X			+ 23.9%	+ 29.6%
*Net business formation	Oct.	X			+ 4.5%	+ 8.0%
*Housing permits	Oct.			X	— 8.5%	+ 41.3%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Oct.		X		+ 1.3%	+ 26.6%
*Change in inventory, on hand & order (deflated)	Sept.	X			+ 15.8%	+ 23.8%
Purchasing agents' buying policy	Nov.		X		+ 0 %	+ 10 %
*Vendor performance, reported slower deliveries	Nov.		X		— 2 %	+ 19 %
Industrial raw materials prices	Nov.	X			+ 5.4%	+ 21.5%
*Change in sensitive material prices	Oct.			X	— 0.3%	+ 1.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Oct.		X		+ 0.3%	+ 8.8%
Change in business loans	Oct.	X			+ 13.4%	+ 15.3%
**Change in credit outstanding*	*Sept.*			X	— 4.5%	+ 0 %
Change in consumer installment debt	Sept.			X	—24.4%	+ 18.5%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			+ 11.2%	+ 20.4%
*Common stock prices	Nov.		X		+ 1.9%	+ 19.8%
Marginal Employment Adjustments						
*Average workweek, mfg.	Nov.		X		+ 0.2hr.	+ 1.5hr.
*Initial unemployment claims (inverted)	Nov.			X	—0.5%	+ 33.4%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



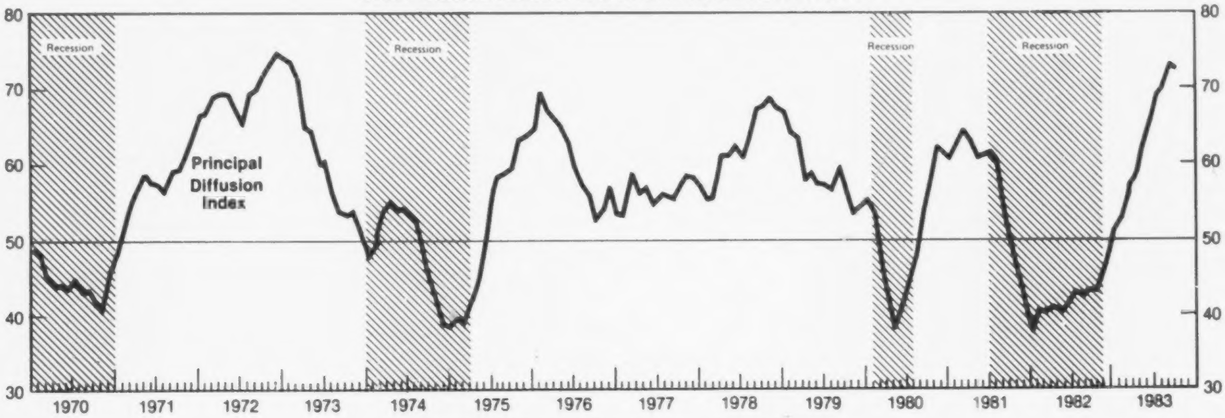
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1982 Oct.	1983 July	Aug.	Sept.	Oct.(e)
Principal Diffusion Index	40.3	68.9	70.0	73.2r	72.7
Auxiliary Diffusion Index	51.5	61.1	53.3	60.4r	48.5
Industrial Group	30.6	72.6	73.3	78.9r	80.3
Nonindustrial Group	49.9	65.3	66.7	67.4	65.1
Sense of Diffusion	-1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	39.7	73.9	79.9	85.5	90.2
Labor	21.5	73.3	71.9	77.6	75.8
Miscellaneous	39.7	68.6	66.7	72.4	6.9
Nonindustrial Subgroups					
Prices	39.7	76.3	73.7	78.2	74.4
Consumer	59.8	76.9	70.9	69.7r	68.8
Building	46.8	51.9	59.6	59.0	50.6
Miscellaneous	48.7	55.3	62.4	63.7r	65.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months. The current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981 Feb.	*May*	*Aug.*	*Nov.*	*1982* Feb.	*May*	*Aug.*	*Nov.*	*1983* Feb.	*May.*	*Aug.*
					Score (scale 0-100)						
Measure of Business Confidence	58	61	57	43	47	52	55	60	70	76	75
1. Appraisal of Current Economic Conditions Compared With Six Months Ago.............	50	57	48	26	23	30	38	44	65	76	82
2. Expectations for Economy, Six Months Ahead........................	63	64	63	51	59	64	65	70	76	78	74
3. Expectations for Own Industry, Six Months Ahead........................	61	61	60	52	58	61	61	65	70	72	69

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981	1982			1983			Percent Change From Previous Year		
								1982	1983	1984
	I	II	III	IV	I	IIr	IIIp	Actual	Estimated	Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	25.176	20.025	18.439	21.488	20.176	20.633	22.587	−18	− 1	15
Capital expenditures	26.660	25.552	23.991	22.887	18.841	18.643	18.293	− 3	−25	42
Change in appropriations backlog*	−2.259	−7.326	−8.726	−3.395	−0.716	+ 1.121	+ 2.241			
Durable Goods										
New appropriations	8.785	7.398	7.724	8.238	8.197	9.453	9.155	−24	14	− 8
Capital expenditures	11.069	10.505	9.684	8.949	7.918	7.655	7.860	− 7	−21	16
Change in appropriations backlog*	−2.723	−3.903	−4.556	−1.351	−0.606	+ 1.291	+ 0.995			
Nondurable Goods										
New appropriations	16.391	12.627	11.215	13.250	11.979	11.180	13.432	−14	− 9	32
Capital expenditures	15.591	15.047	14.307	13.938	10.923	10.988	10.433	0	−27	61
Change in appropriations backlog*	0.464	−3.423	−4.170	−2.044	−0.110	−0.170	+ 1.246			
ELECTRIC & GAS UTILITIES										
New appropriations	8.803	8.502	10.603	10.803	6.966	6.327p				
Capital expenditures	8.958	8.835	9.018	9.331	9.032	9.343p				
Change in appropriations backlog*	−9.039	−1.772	+ 0.680	−4.492	−5.709	−6.307p				

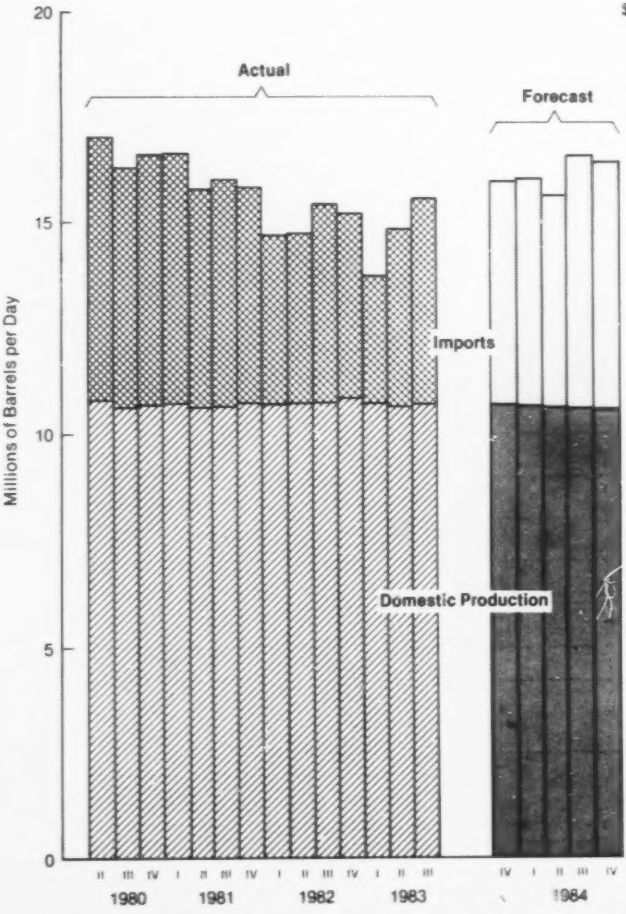
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

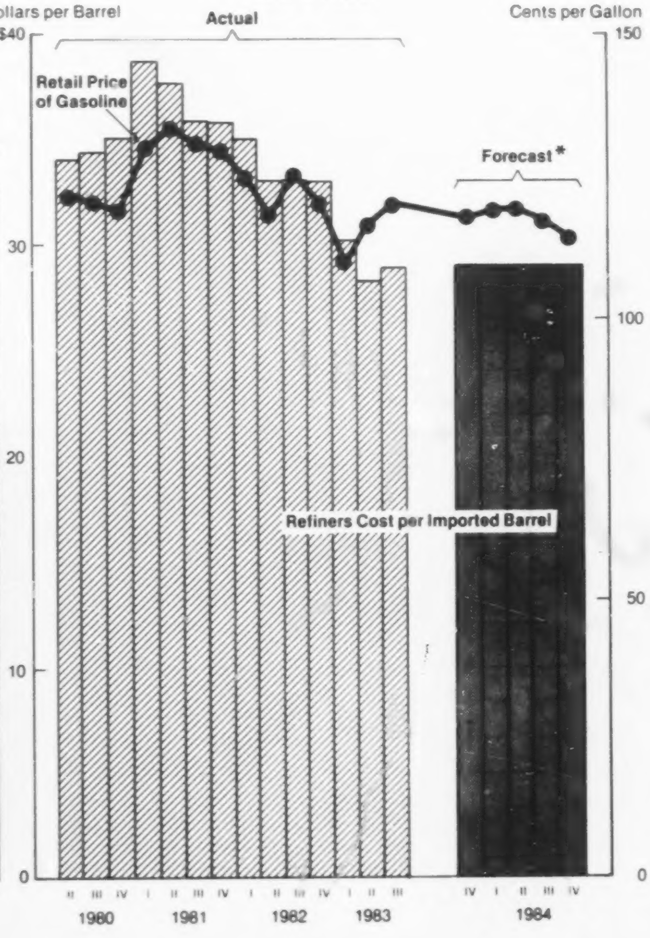
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

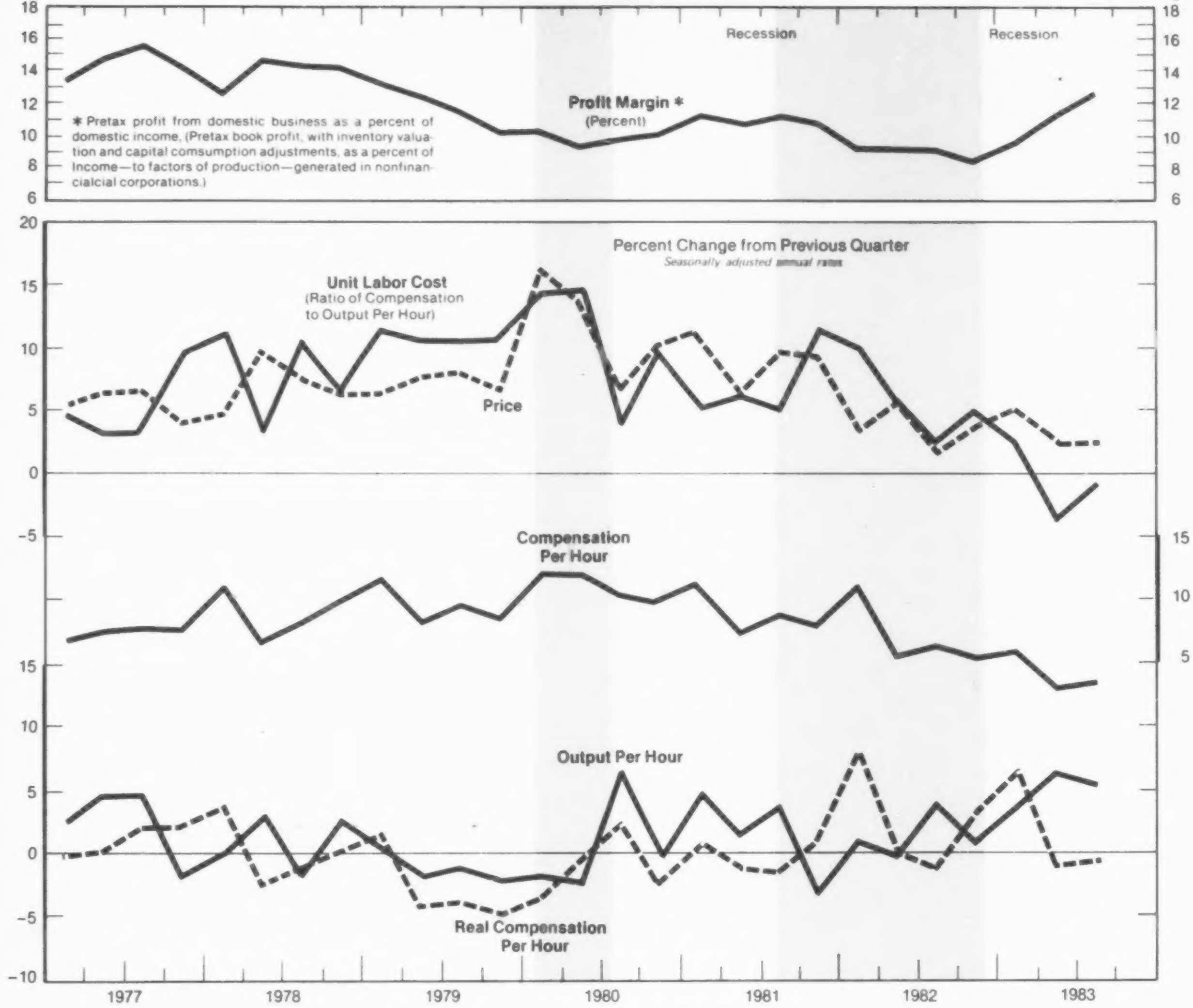


Oil Price



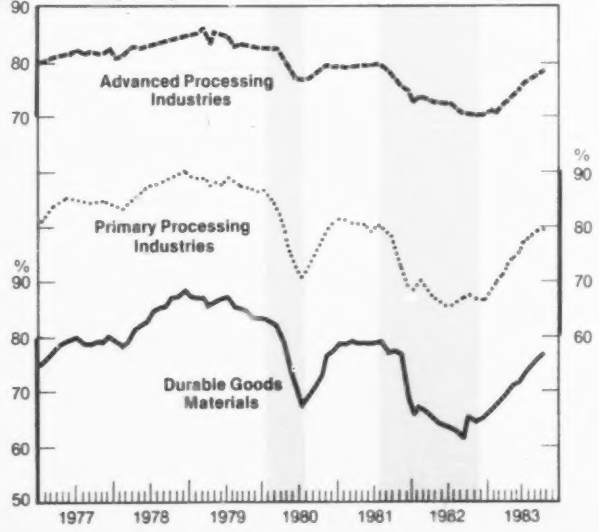
*Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin,
Nonfinancial Corporations

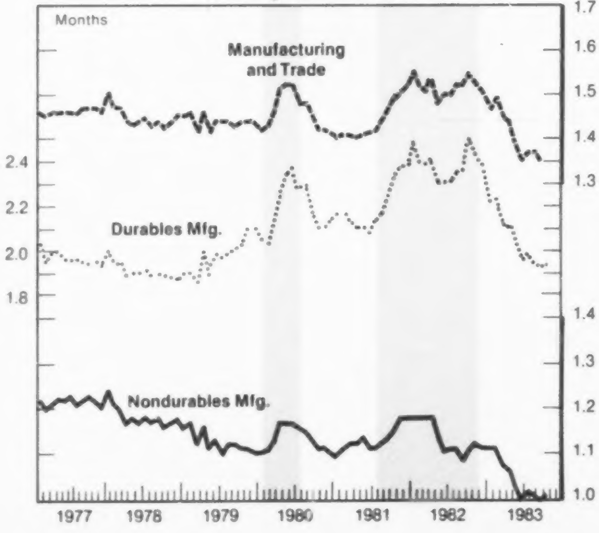


* Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of Income—to factors of production—generated in nonfinancialcial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Nov., 1983*		*Nov., 1983*		*Nov., 1983*		*Nov., 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**III**	**$3360.3**	**11.2%**			**$3360.3**	**11.2%**	**$3360.3**	**11.2%**
Forecast		IV	3442.2	10.1	$3447.1	10.3%	3442.7	10.2	3451.3	11.3
	1984	I	3532.8	11.0	3521.5	8.9	3527.6	10.2	3540.8	10.8
		II	3620.9	10.4	3608.0	10.2	3610.0	9.7	3623.0	9.6
		III	3710.2	10.2	3705.7	11.3	3688.7	9.0	3700.1	8.8
		IV	3796.9	9.7	3806.1	11.3	3783.5	10.7	3794.9	10.6
	1985	I	3886.4	9.8			3870.1	9.5	9879.3	9.2
		II	3969.9	8.9			3962.4	9.9	3964.5	9.1
		III	4057.9	9.2			4051.0	9.2	4047.9	8.7
		IV	4153.4	9.8			4135.8	8.6	4136.7	9.1
	1983	Annual	3311.5	7.8	3313.5	7.8	3311.6	7.8	3313.8	7.8
	1984	Annual	3665.2	10.7	3660.3	10.5	3652.5	10.3	3664.7	10.6
	1985	Annual	4016.9	9.6			4004.8	9.6	4007.1	9.3
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**III**	**$1553.6**	**7.7%**	**$1554.4**	**7.7%**	**$1553.6**	**7.7%**	**$1553.6**	**7.7%**
Forecast		IV	1572.8	5.0	1577.1	6.0	1572.0	4.8	1578.6	6.6
	1984	I	1591.7	4.9	1590.0	3.3	1589.0	4.4	1600.3	5.6
		II	1610.3	4.8	1608.2	4.7	1608.0	4.9	1618.0	4.5
		III	1630.0	5.0	1629.1	5.3	1625.0	4.3	1631.2	3.3
		IV	1646.7	4.2	1649.5	5.1	1645.0	5.0	1649.6	4.6
	1985	I	1662.1	3.8			1661.0	3.9	1663.1	3.3
		II	1674.9	3.1			1679.0	4.4	1677.8	3.6
		III	1688.5	3.3			1695.0	3.9	1690.3	3.0
		IV	1701.3	3.1			1709.0	3.3	1703.2	3.1
	1983	Annual	1535.4	3.4	1536.7	3.5	1535.2	3.4	1536.9	3.5
	1984	Annual	1619.7	5.5	1619.2	5.4	1616.8	5.3	1624.8	5.7
	1985	Annual	1681.7	3.8			1686.0	4.3	1683.6	3.6
Gross National Product Deflator Index, 1972 = 100										
Actual	**1983**	**III**	**216.3**	**3.3%**			**216.3**	**3.3%**	**216.3**	**3.3%**
Forecast		IV	218.9	4.8	218.6	4.1%	219.0	5.1	218.6	4.4
	1984	I	222.0	5.8	221.5	5.4	222.0	5.6	221.3	4.9
		II	224.9	5.3	224.4	5.3	224.5	4.6	223.9	4.9
		III	227.6	5.0	227.5	5.7	227.0	4.5	226.8	5.3
		IV	230.6	5.3	230.7	5.9	230.0	5.4	230.0	5.8
	1985	I	233.8	5.8			233.0	5.3	233.3	5.7
		II	237.0	5.6			236.0	5.2	236.3	5.3
		III	240.3	5.7			239.0	5.2	239.5	5.5
		IV	244.1	6.5			242.0	5.1	242.9	5.8
	1983	Annual	215.6	4.2	215.6	4.2	215.7	4.2	215.6	4.2
	1984	Annual	226.3	4.9	226.0	4.8	225.9	4.7	225.5	4.6
	1985	Annual	238.8	5.6			237.5	5.1	238.0	5.5
Unemployment Rate										
Actual	**1983**	**III**	**9.3%**		**9.3%**		**9.3%**		**9.3%**	
Forecast		IV	8.6		8.5		8.6		8.5	
	1984	I	8.5		8.3		8.2		8.2	
		II	8.4		8.1		8.1		8.0	
		III	8.1		7.8		8.0		8.0	
		IV	7.9		7.6		8.0		7.9	
	1985	I	7.8				7.8		7.7	
		II	7.7				7.6		7.6	
		III	7.7				7.5		7.5	
		IV	7.6				7.2		7.3	
	1983	Annual	9.6		9.6		9.6		9.6	
	1984	Annual	8.2		8.0		8.1		8.0	
	1985	Annual	7.7				7.5		7.5	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary third quarter data.

[2] Based on revised third quarter data.

ECONOMIC FORECASTS (continued)

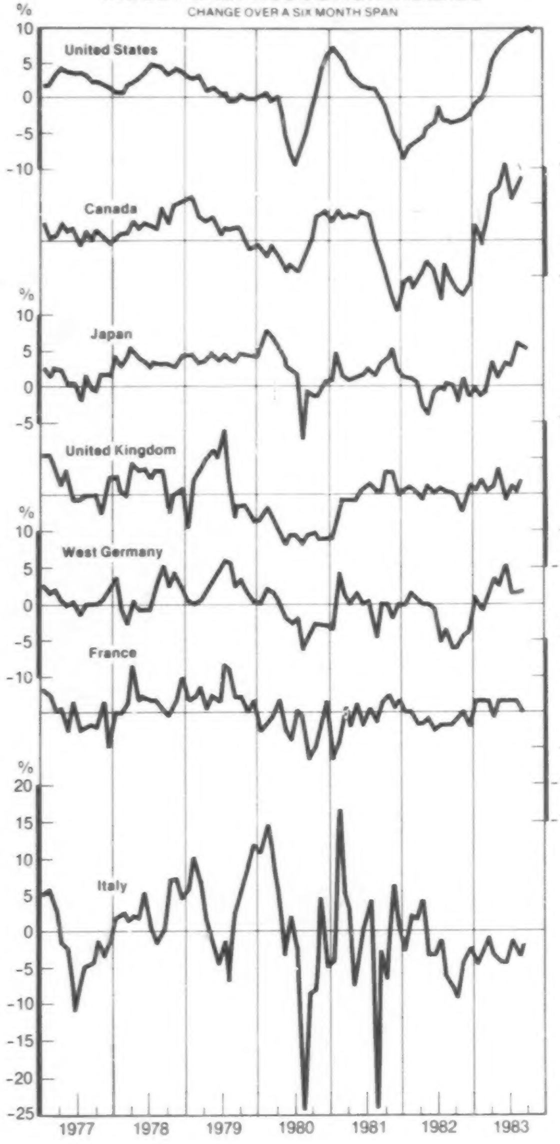
The Conference Board[1]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Nov., 1983		*Nov., 1983*		*Nov., 1983*		*Nov., 1983*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3360.3	**11.2%**	**$3360.3**	**11.2%**	**$3360.3**	**11.2%**	**$3360.3**	**11.2%**	**III**	**1983**	**Actual**
3460.0	12.4	3450.1	11.1	3444.6	10.4	3444.4	10.4	IV		Forecast
3544.0	10.1	3534.1	10.1	3534.7	10.9	3533.0	10.7	I	1984	
3621.0	9.0	3619.3	10.0	3616.7	9.6	3625.4	10.9	II		
3686.0	7.4	3700.8	9.3	3698.1	9.3	3717.9	10.6	III		
3790.0	11.8	3786.8	9.6	3775.8	8.7	3808.8	10.1	IV		
		3885.7	10.9	3847.0	7.8	3895.2	9.4	I	1985	
		3972.0	9.2	3913.6	7.1	3981.3	9.1	II		
		4044.8	7.5	3986.8	7.7	4058.9	8.0	III		
		4117.2	7.4	4066.6	8.3	4131.4	7.3	IV		
3316.0	7.9	3313.5	7.8	3312.1	7.8	3312.1	7.8	Annual	1983	
3660.3	10.4	3660.3	10.5	3656.3	10.4	3671.3	10.8	Annual	1984	
		4004.9	9.4	3953.5	8.1	4016.7	9.4	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1553.6	**7.7%**	**$1553.6**	**7.7%**	**$1553.6**	**7.7%**	**$1553.6**	**7.7%**	**III**	**1983**	**Actual**
1584.5	8.2	1577.5	6.3	1574.3	5.4	1578.3	6.5	IV		Forecast
1604.8	5.2	1595.7	4.7	1593.2	4.9	1598.2	5.1	I	1984	
1617.8	3.3	1612.7	4.3	1610.5	4.4	1619.0	5.3	II		
1624.2	1.6	1628.4	4.0	1626.6	4.6	1639.2	5.1	III		
1647.0	5.7	1640.3	3.0	1643.5	3.7	1656.1	4.2	IV		
		1653.3	3.2	1655.5	3.0	1671.9	3.9	I	1985	
		1663.3	2.4	1664.9	2.3	1685.9	3.4	II		
		1672.0	2.1	1676.3	2.8	1694.7	2.1	III		
		1676.9	1.2	1687.7	2.7	1699.3	1.1	IV		
1538.3	3.6	1536.6	3.4	1535.8	3.4	1536.8	3.5	Annual	1983	
1623.5	5.5	1619.3	5.4	1619.0	5.4	1628.1	5.9	Annual	1984	
		1666.4	2.9	1671.1	3.2	1688.0	3.7	Annual	1985	
								Gross National Product Deflator Index, 1972 = 100		
216.3	**3.3%**	**216.3**	**3.3%**	**216.3**	**3.3%**	**216.3**	**3.3%**	**III**	**1983**	**Actual**
218.4	3.9	218.7	4.5	218.8	4.7	218.2	3.6	IV		Forecast
220.8	4.6	221.5	5.2	221.9	5.7	221.1	5.3	I	1984	
223.8	5.5	224.4	5.4	224.6	5.0	223.9	5.3	II		
226.9	5.7	227.3	5.2	227.1	4.5	226.8	5.3	III		
230.1	5.7	230.9	6.5	229.7	4.8	230.0	5.7	IV		
		235.0	7.4	232.4	4.7	233.0	5.3	I	1985	
		238.8	6.6	235.1	4.7	236.2	5.6	II		
		241.9	5.3	237.8	4.8	239.5	5.8	III		
		245.5	6.1	241.0	5.4	243.1	6.2	IV		
215.5	4.2	215.6	4.2	215.6	4.2	215.5	4.2	Annual	1983	
225.4	4.6	226.0	4.8	225.8	4.7	225.4	4.6	Annual	1984	
		240.3	6.3	236.6	4.8	237.9	5.5	Annual	1985	
								Unemployment Rate		
9.3%		**9.3%**		**9.3%**		**9.3%**		**III**	**1983**	**Actual**
8.5		8.8		8.8		8.8		IV		Forecast
8.2		8.6		8.5		8.7		I	1984	
8.0		8.3		8.3		8.4		II		
8.0		8.2		8.1		8.3		III		
7.7		8.1		7.9		8.1		IV		
		7.9		7.9		7.9		I	1985	
		7.9		7.9		7.7		II		
		7.9		7.9		7.4		III		
		7.9		7.9		7.5		IV		
9.6		9.6		9.6		9.6		Annual	1983	
8.0		8.3		8.2		8.4		Annual	1984	
		7.9		7.9		7.6		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

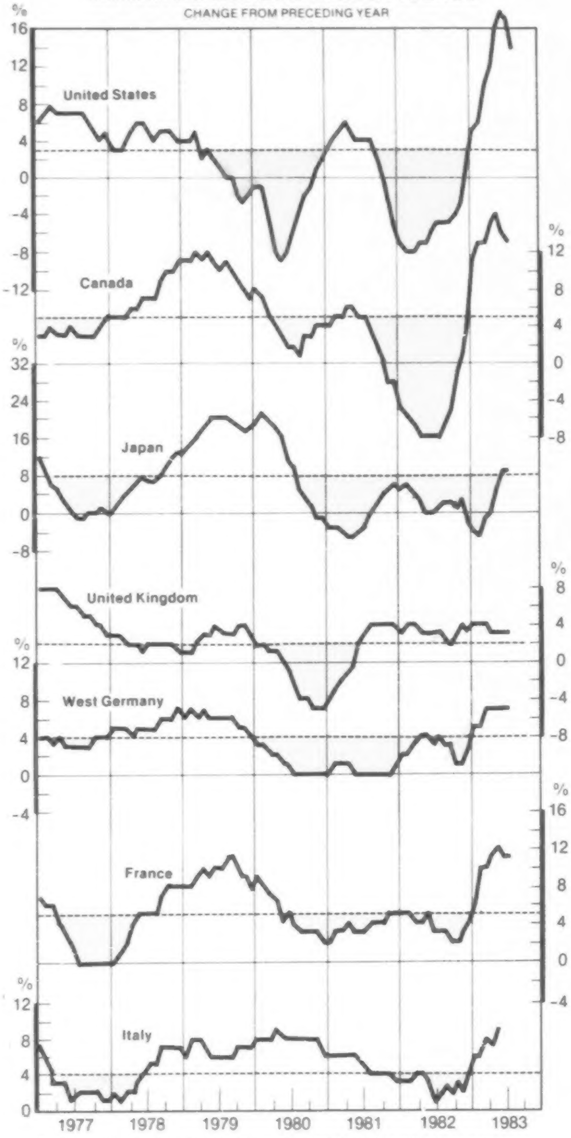
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



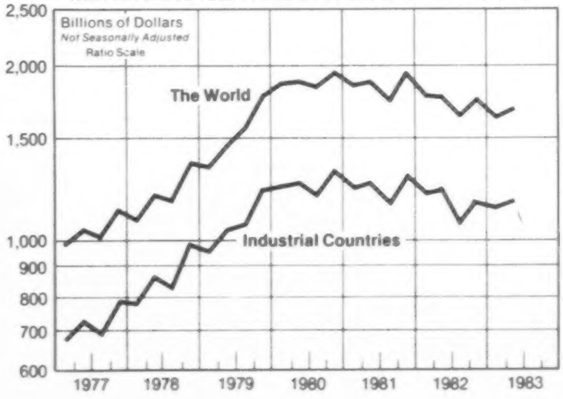
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

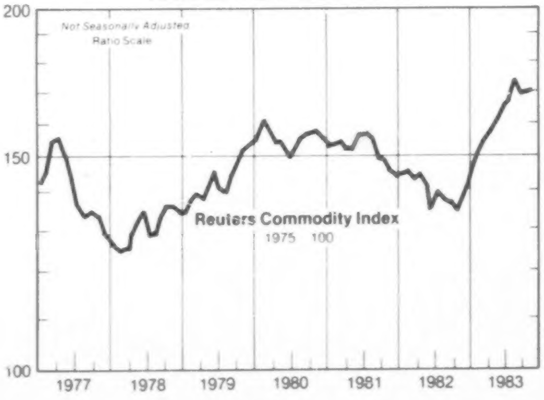


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

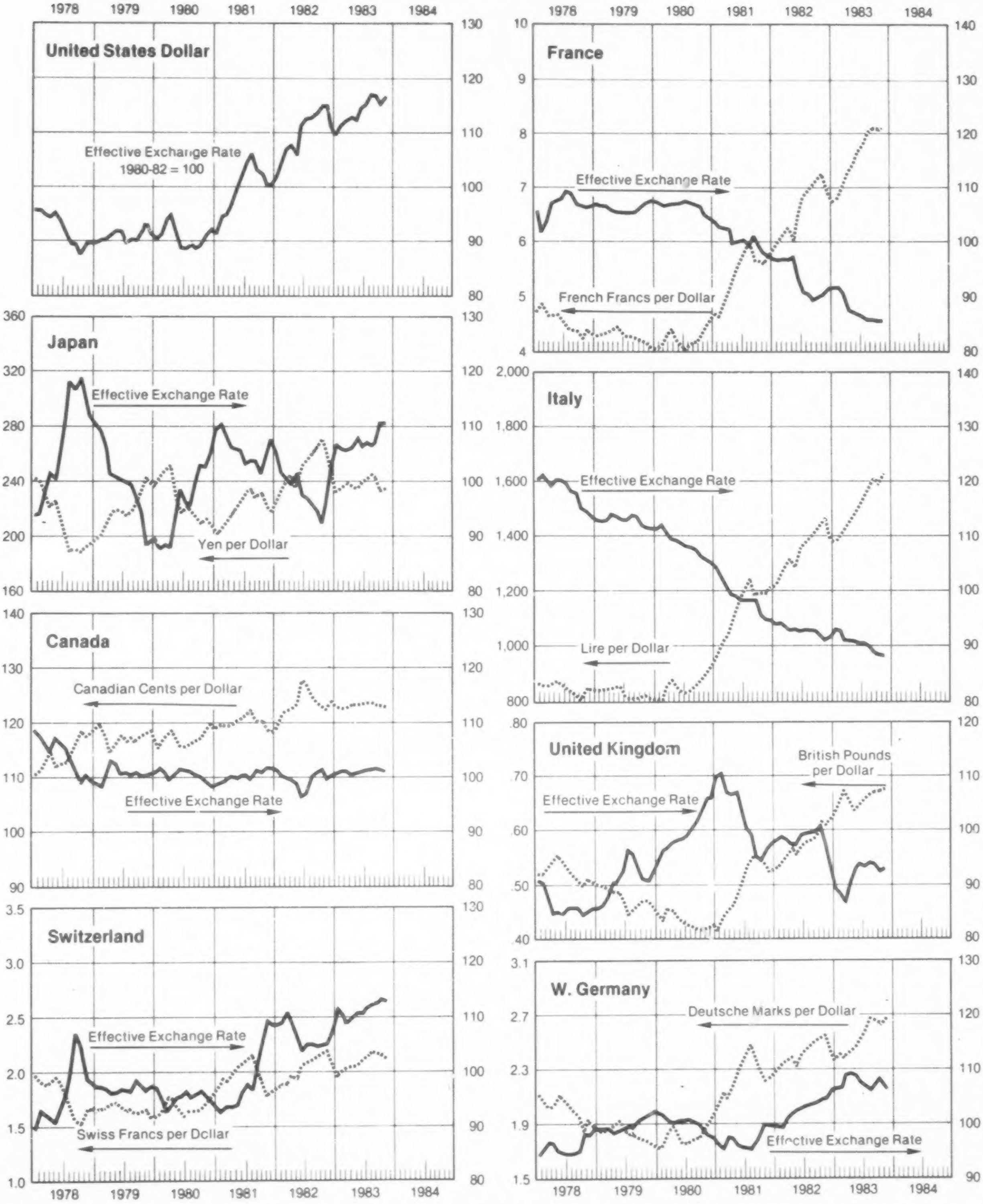


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

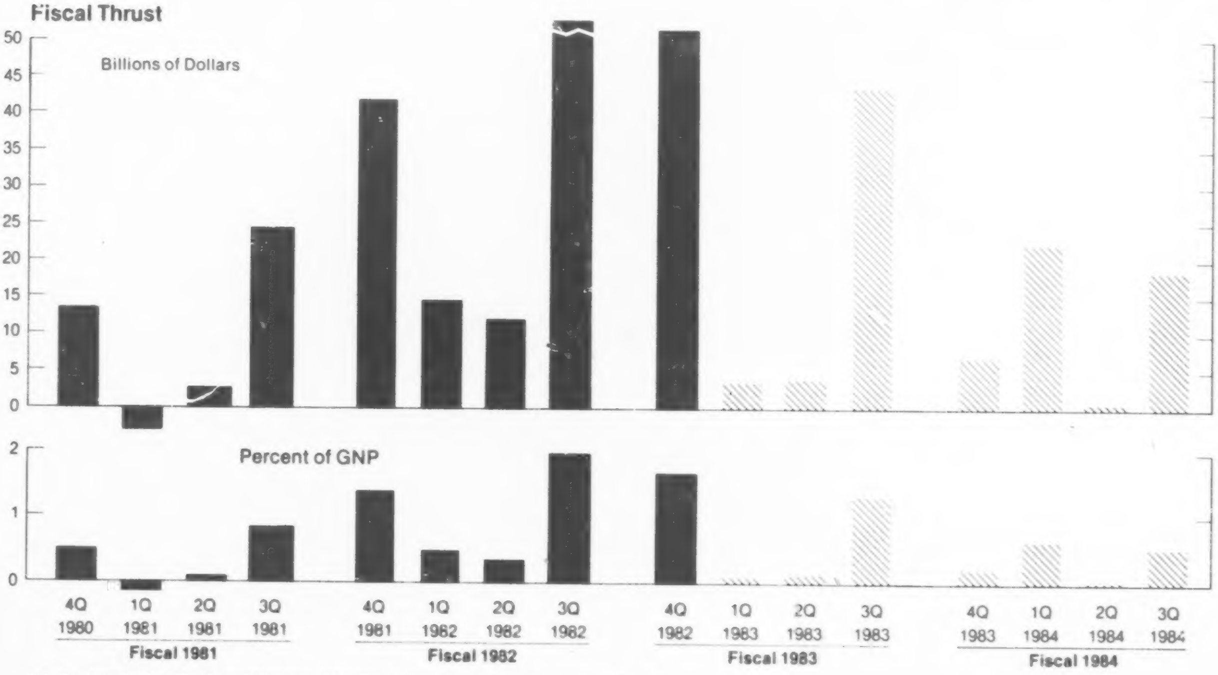
Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual (10/26/82)	President's Proposal (7/25/83)	Congressional Estimate (9/1/82)	Current Service (7/25/83)	President's Proposal (7/25/83)	Congressional Estimate (6/20/83)
Receipts	**$617.8**	**$599.9**	**633.0**	**665.6**	**668.4**	**679.6**
Outlays	**728.4**	**809.8**	**788.0**	**866.0**	**848.1**	**849.5**
Deficit	**—110.6**	**—209.8**	**—155.0**	**—200.4**	**—179.7**	**—169.9**
Receipts by source	**617.8**	**599.9**	**633.0**	**665.6**	**668.4**	**679.6**
Individual income taxes	298.1	288.5	298.0	294.6	296.0	
Corporate income taxes	49.2	35.2	47.0	64.1	64.1	
Social insurance	201.1	211.1	217.0	240.0	241.4	242.3
Other receipts	69.4	65.1	71.0	66.9	66.9	
Outlays by function	**728.4**	**809.8**	**788.0**	**866.0**	**848.1**	**849.5**
Income security	248.8	279.4	270.0	278.5	275.2	278.8
National defense	187.4	214.8	216.0	245.4	242.3	240.0
Health	74.0	82.3	79.0	92.4	90.5	92.6
Education and manpower	25.4	27.2	27.0	27.9	26.5	28.4
Transportation	20.6	21.1	20.0	26.0	25.9	26.0
Veterans' benefits	24.0	24.9	24.0	25.5	25.5	25.5
International affairs	10.0	11.0	13.2	13.1	13.5	13.0
Natural resources and environment	13.1	12.5	11.0	12.0	10.8	12.5
Agriculture	14.8	25.3	15.0	16.9	13.8	11.5
General science	7.1	7.8	8.0	8.2	8.3	8.3
Community development	7.4	7.4	8.0	7.9	7.8	8.1
Revenue sharing	6.2	6.4	6.0	6.8	6.8	7.2
General government	4.8	5.8	5.0	5.4	5.6	5.6
Justice	4.6	5.3	5.0	5.4	5.5	5.9
Energy	4.8	4.6	5.0	4.4	4.4	4.3
Commerce and housing credit	3.8	5.1	2.0	3.3	2.8	2.3
Interest	100.8	89.0	115.0	104.9	103.5	97.1
Allowances	—	—	—3.0	1.9	0.9	0.8
Undistributed offsetting receipts	—29.3	—19.9	—36.0	—20.0	—21.0	—18.1

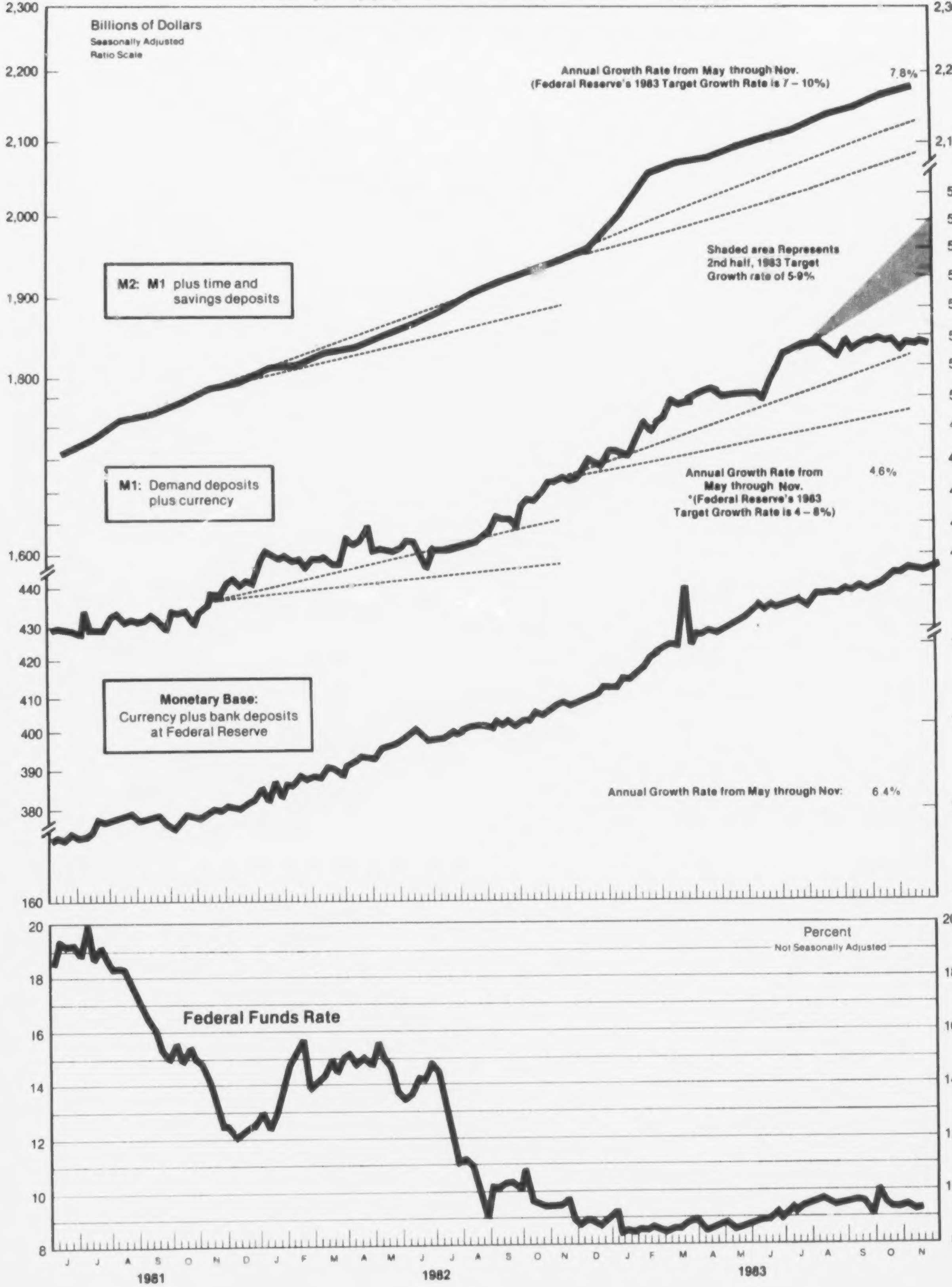
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB 81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



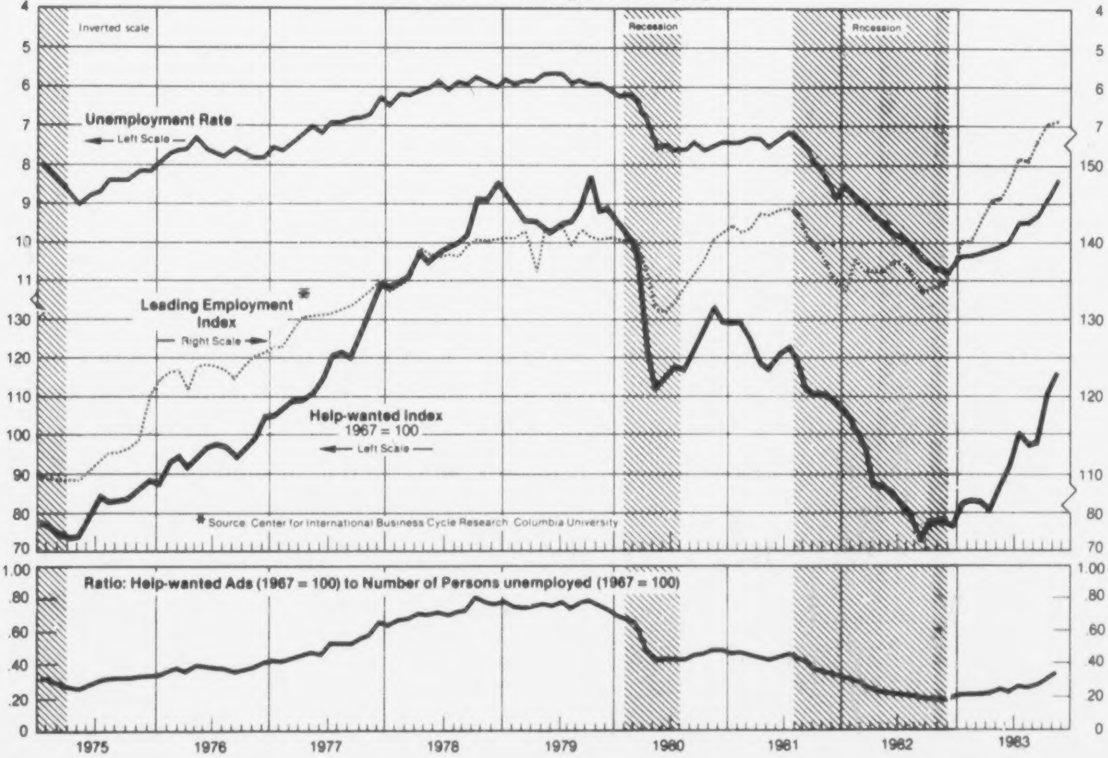
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983			1982
	Oct.	Sept.	Aug.	Oct.
Total Index **51 papers**	111	98r	97	76
New England	120	102	103	77
Boston	136	115	114	85
Hartford	112	101	104	81
Providence	74	61	64	47
Middle Atlantic	53	48	50	42
Albany	94	85	90	67
Allentown	126	96	104	84
New York	48	46	46	39
Philadelphia	49	42	46	36
Pittsburgh	47	41	45	42
Rochester	54	46	50	49
Syracuse	75	68	69	64
East North Central	63	53	50	42
Chicago	80	63	49	41
Cincinnati	76	67	73	52
Cleveland	42	37	40	35
Columbus	81	73	76	66
Dayton	47	43	46	43
Detroit	40	37	36	29
Gary	91	83	80	87
Indianapolis	62	47	57	49
Milwaukee	41	38	37	31
Toledo	69	66r	69	61
West North Central	67	57	57	41
Kansas City	102	86	82	57
Minneapolis	57	45	45	30
Omaha	99	91	100	72
St. Louis	47	41	43	35
South Atlantic	125	111	114	85
Atlanta	224	189	186	134
Baltimore	71	72	89	60
Charlotte	108	98	103	72
Jacksonville	148	151	164	104
Miami	84	75	75	60
Richmond	67	65	66	52
Washington, D.C.	131	111	109	88
East South Central	105	91	94	76
Birmingham	102	96	101	75
Knoxville	158	149	150	123
Louisville	57	48	50	44
Memphis	93	84	86	66
Nashville	146	115	115	101
West South Central	264	226	219	181
Dallas	378	299	291	214
Houston	344	297	276	245
New Orleans	120	111	117	106
Oklahoma City	129	124	131	122
San Antonio	173	156	159	124
Tulsa	118	121	115	98
Mountain	242	209r	204	141
Denver	171	158r	162	105
Phoenix	343	281	255	180
Salt Lake City	240	206	212	156
Pacific	164	151	147	114
Los Angeles	128	117	119	90
Sacramento	261	228	225	184
San Bernardino	136	119	114	100
San Diego	323	301	272	217
San Francisco	176	164	152	116
Seattle	170	165	162	130
Percentage of papers with rising volume	94%	33%	27%	76%
Unemployment rate	8.7%	9.3%	9.5%	10.5%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

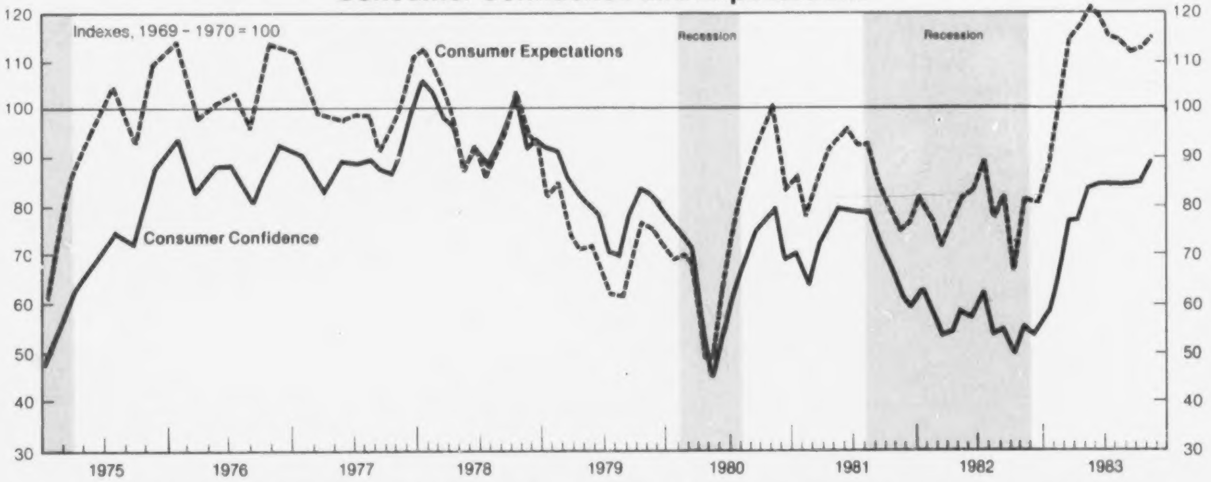
Consumer Confidence Index	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7r	89.4p	
Buying Plans Index												
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9r	101.0p	

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

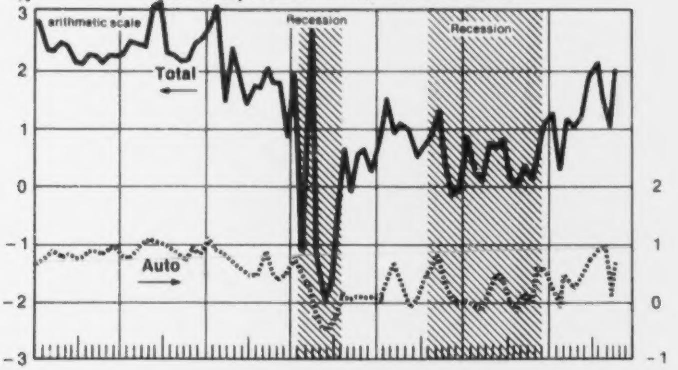
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.3	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

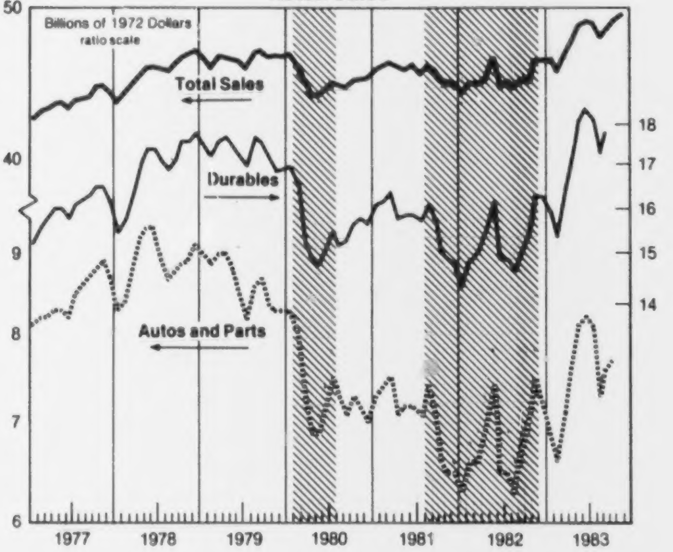
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



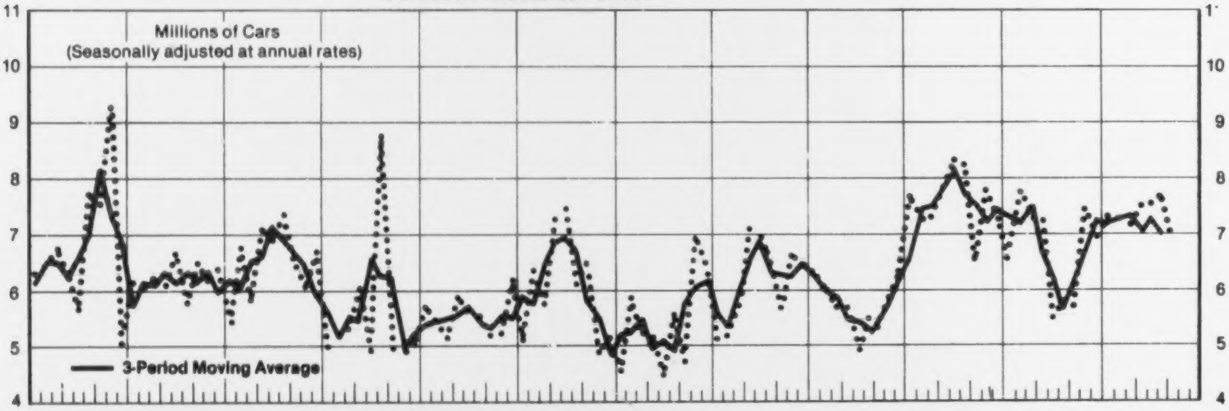
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

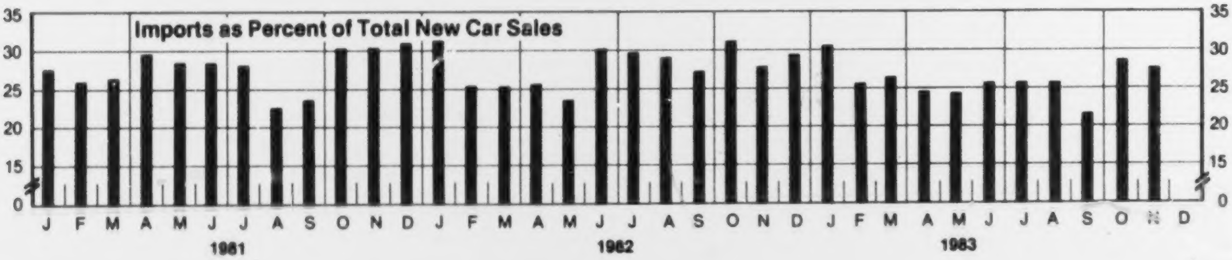
Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.87	6.27	5.68	6.34
	11-20	7.08	6.44	5.43	6.08
	21-31	9.17	6.74	5.17	5.69
February:	1-10	6.88	6.30	5.88	5.68
	11-20	8.28	5.65	5.61	4.93
	21-28(29)	6.36	7.70	5.54	5.55
March:	1-10	6.98	7.55	5.18	5.32
	11-20	7.18	9.29	5.24	5.62
	21-31	6.12	5.02	6.16	6.22
April:	1-10	7.02	6.18	5.11	6.76
	11-20	5.94	6.01	6.38	6.77
	21-30	5.90	6.22	5.77	6.52
May:	1-10	5.78	6.09	7.26	7.68
	11-20	6.10	6.64	7.47	7.25
	21-31	5.17	5.76	6.06	7.32
June:	1-10	5.95	6.50	6.51	7.83
	11-20	6.78	6.18	4.83	8.37
	21-30	6.74	6.35	5.17	8.25
July:	1-10	6.60	5.45	4.54	6.56
	11-20	6.41	6.78	5.88	7.78
	21-31	6.59	5.80	5.22	7.26
August:	1-10	5.44	7.08	5.18	7.27
	11-20	5.81	6.91	4.48	5.47
	21-31	6.00	7.38	5.58	5.79
September:	1-10	6.05	6.57	4.70	5.70
	11-20	5.58	6.09	6.95	7.43
	21-30	6.74	6.67	6.49	6.95
October:	1-10	7.60	4.98	5.09	7.33
	11-20	7.09	5.18	5.16	7.28
	21-31	6.49	5.32	5.68	7.17
November:	1-10	7.03	6.05	7.10	7.50
	11-20	7.10	4.93	6.94	6.51
	21-30	6.11	8.75	6.49	7.67
December:	1-10	6.88	4.98	5.64	
	11-20	7.08	4.88	6.62	
	21-31	5.81	5.03	6.46	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

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Volume 17, No. 1, January, 1984

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The Conference Board

COMMENT

Forecasting business trends is not the easiest way to make a living. After all, if one goes around making a lot of predictions, a lot of time is bound to be spent explaining why the forecast missed the mark. And 1983 was a particularly bad year to play a guessing game. Of some consolation, then, is that forecasting accuracy ought to show marked improvement in 1984: It couldn't get much worse. Scenarios start with some standard assumptions, the most basic of which are that consumer demand will slow somewhat and business investment will pick up. The dollar will remain very strong, which will continue to hamper exporting efforts. High Federal Government deficits will not go away, and neither will high interest rates. One last point: There will be a general election in November. That event has a bearing on the direction of economic policy. And forecasters are trying to anticipate how much reining in, of what has been very accommodative and expansionary monetary and fiscal policy, will take place.

Strong consumer demand has been the driving force of this expansionary phase of the business cycle. Consumer attitudes began to recover last Winter and reached record-setting levels by Spring. The Conference Board's *Consumer Confidence Index* bottomed out at 49.7 (1969-1970 = 100) in October, 1982 (very nearly the lowest reading on record). In light of news reports of declining unemployment and some pickup in economic activity in the early months of 1983, this barometer of the public's perception of business conditions began to rise very quickly. By May, it had recovered to 84.0, or about the level recorded in late 1979—just before the onset of the back-to-back recessions. Confidence continued to build through the last half of 1983; by December, this series had reached 94.0, a level last seen in late 1978, when the first early indications of some impending economic distress began to surface.

The recovery in the *Expectations Index* a component of the overall series, has been even more pronounced. Both series had declined to all-time lows in the first recession; however, this barometer of attitudes with regard to business conditions six months down the road held up better during the second recession than did the overall series. And it recovered sharply in the first half of 1983, reaching an all-time high of 121.2 in May. The *Expectations Index* retained its exuberance in the second half of 1983, registering a still very lofty level of 116.6 in December. That suggests that consumers remain confident that more good news on business conditions in general, and prospects for higher income and more new jobs in particular, will be forthcoming over the next six months.

Consumers have been in such good spirits, so confident of a strengthening economy, that they have been very willing to buy on credit. At the bottom of the recession, installment debt repayments exceeded new credit extensions, which is typical recessionary behavior. Early in the recovery period, consumers spent heavily on furniture, appliances, cars and car repairs—and financed these expenditures with new credit extensions. The ratio of *Consumer Installment Debt Expansion to Personal Income* rose from zero in August, 1982, to almost 2% in May, 1983; after subsiding a little this past Summer, it was back up to 2% by October, 1983. Consumer spending reflects this same pattern of an early surge, then some drop-off from that pace, followed by renewed vigor. Total retail sales, adjusted for inflation, were 9.2% higher in May, 1983, than in August, 1982. By August, 1983, however, sales volume had declined by 1.6% from the level reached in the Spring. Consumer demand began to pick up again in September and, by December, it was 6% higher than it had been in August.

The *Economic Forecasts* assume that the pace of buying in 1984 will be a little slower than it was in 1983. Altogether, real retail sales had climbed 12% from the bottom of the recession through the end of 1983. Personal income, however, rose by only 5% during this period. The willingness to buy outstripped the means. Consumers had forgone a lot of buying during the recessions but, confident that bad times were over, they tried catching up and were willing to incur some debt in order to accomplish that. Thus, some of that pent-up demand has been released. Consumers are no less willing to spend now but, on the other hand, are not willing to get too caught up in piling on debt. The rise in spending in 1984, then, will likely run closer to the rise in spending power. If real personal income were to grow by something like 4% in 1984, consumer spending might rise by something like 5 percent.

The likelihood of a slower rise in consumer demand does not spell trouble for the expansion. Indeed, the forecast all along has been that 1984 is the year when a consumer-led recovery gives way to an investment-sustained expansion. A recovery in capital investment usually lags the general recovery by about a year. It takes that long for relatively full capacity utilization to return. It is now over a year since the economy began to

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STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

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845 Third Avenue
New York, New York 10022

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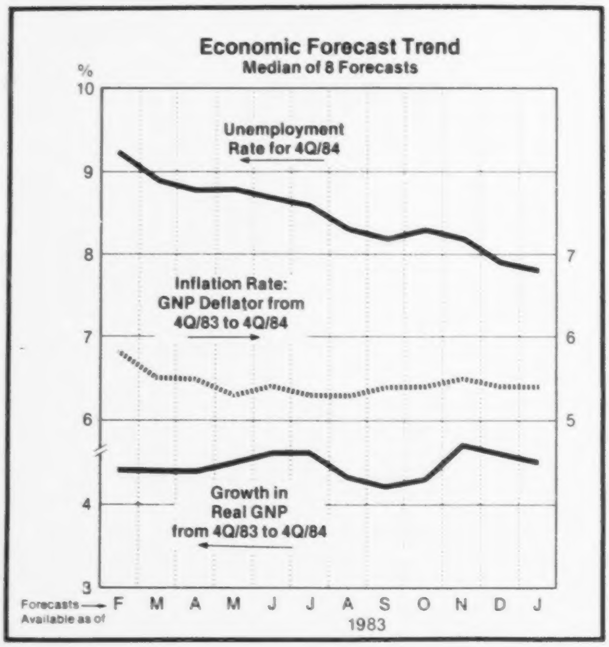
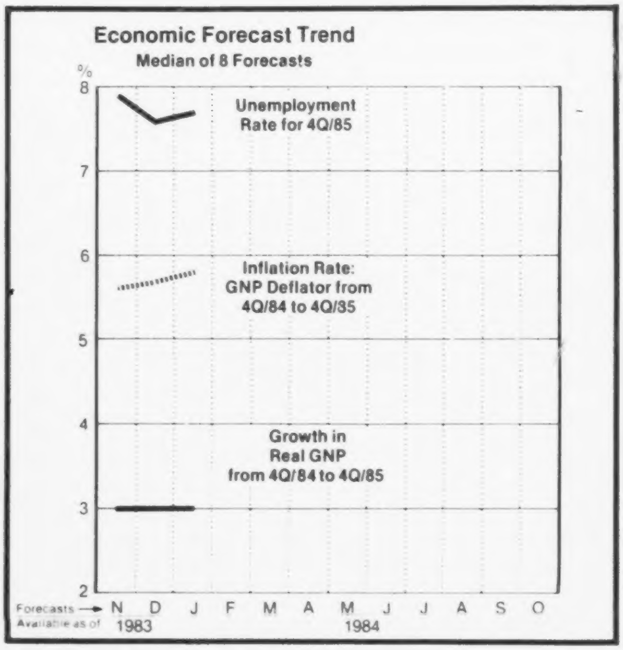


strengthen and the capacity use rate for primary processing industries hit 80.5% in December, 1983. Increases in production can be achieved with the present stock of plant and equipment, but the question of adequate capacity on hand to meet expected rising demand in the next few years is beginning to press for attention. Some new investment needs to be put in place now in order to be available when the anticipated level of new orders begins streaming in. The Commerce Department's survey of company spending plans shows a rise of about 10%, after inflation, in plant and equipment investment anticipated for 1984. Responses to The Conference Board's third quarter survey showed that the nation's 1,000 manufacturers are expecting an even more ambitious push to upgrade, modernize and expand facilities to begin this year. Given a current 11% prime interest rate, the margin between financing cost and expected rate of return might appear rather narrow. The high borrowing cost may be offset a bit by the accelerated depreciation allowances incorporated into the tax law in 1981. The point to be made, however, is that it can, and is expected to, happen in 1984 even if interest rate relief is minimal.

Worry about budget deficits and/or a return to escalating inflation is keeping interest rates from falling. The *Economic Forecasts* have consistently indicated that only a modest rise in inflation is expected this year and next. The GNP deflator rose by 4.2% in 1983, and the median of the forecasts has been—and remains—that it will increase at about a 5% rate this year and perhaps closer to 5½% next year. Furthermore, while changes in economic conditions have necessitated repeated, and frequently substantial, revisions in estimates of expected real output growth and unemployment rates, the forecasts of expected inflation have undergone relatively minor adjustment over the last two years or so. Nevertheless, stories about fears of resurging inflation abound in financial news reporting. Perhaps it is too early to expect complete recovery from the oil price shocks and other inflation nightmares of the past decade. In any event, the inflation expectation component of interest rates does not appear to be diminishing. That is also true with regard to the pressure on rates from the high budget deficit. Cutting someone's favorite spending program or raising taxes just before a general election do not appear to be highly probable. The best hope for interest rate relief, then, seems to depend on some easing in monetary policy. The Federal Reserve Board has yet to announce its growth targets for money supply from November, 1983 to November, 1984. That announcement will go a long way in clarifying whether monetary policy will be accommodative of some decline in interest rates.

The value of the dollar in international exchange markets is being reinforced by those high interest rates, an absence of any substantial runup of inflation, and by the strong domestic expansion now under way. The effective *Exchange Rate* of the dollar against other major currencies was 116.7 (1980-1982 = 100) in December—that is, 16.7% above the value that prevailed during that 3-year period. In point of fact, the dollar's value against the pound, franc, mark or yen is currently about as high as it has been in the floating rate era and there is little prospect of any relief from the overvalued dollar any time soon.

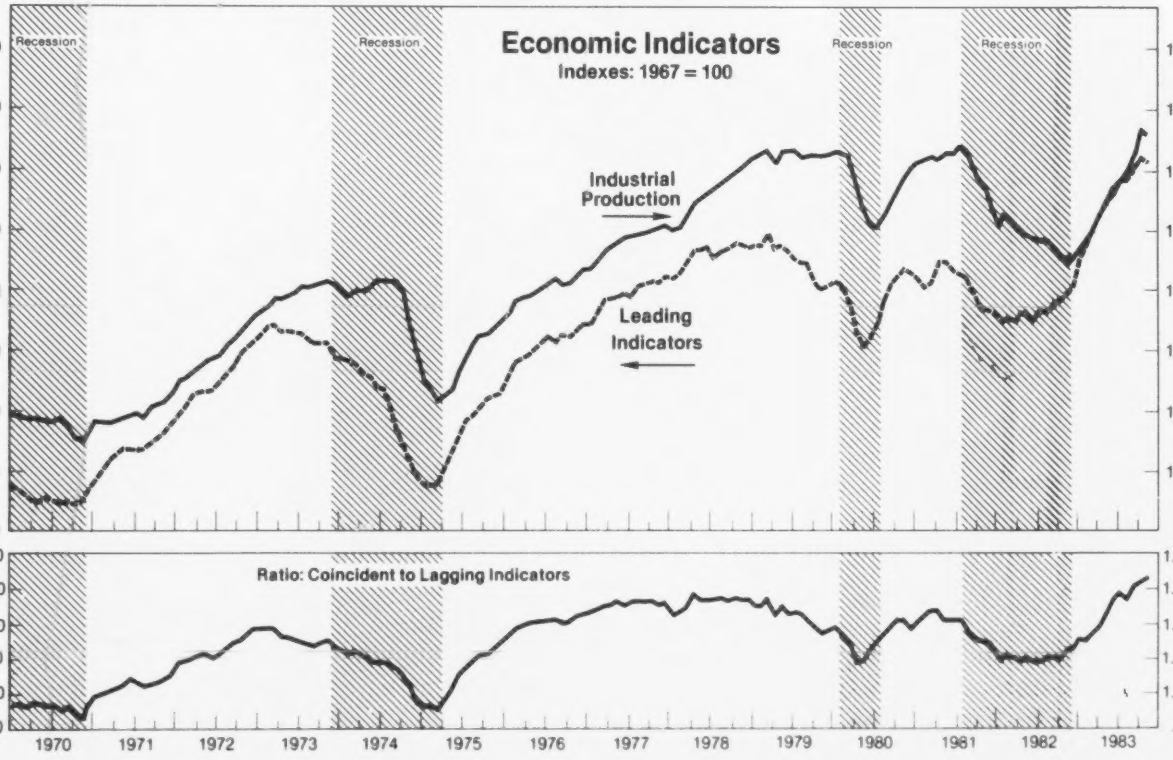
Ken Goldstein
Jan. 13, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Nov.	X			+ 1.8%	+ 16.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Nov.		X		+ 5.5%	+ 22.9%
New orders, nondefense capital goods (deflated)	Nov.		X		+ 4.7%	+ 24.4%
*New business formation	Nov.	X			+ 3.1%	+ 4.5%
*Housing permits	Nov.			X	— 0.6%	+ 33.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Nov.	X			+ 1.1%	+ 28.8%
*Change in inventory, on hand & order (deflated)	Oct.	X			+ 15.6%	+ 30.8%
Purchasing agents' buying policy	Dec.	X			+ 7 %	+ 11 %
*Vendor performance, reported slower deliveries	Dec.	X			+ 7 %	+ 29 %
Industrial raw materials prices	Dec.	X			+ 5.5%	+ 24.4%
*Change in sensitive material prices	Nov.			X	— 0.4%	+ 1.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Nov.	X			+ 0.6%	+ 8.4%
Change in business loans	Nov.	X			+ 11.6%	+ 83.6%
*Change in credit outstanding	Oct.		X		— 1.9%	+ 11.9%
Change in consumer installment debt	Nov.	X			+ 18.0%	+ 53.0%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			+ 11.2%	+ 20.4%
*Common stock prices	Dec.		X		— 1.7%	+ 17.9%
Marginal Employment Adjustments						
*Average workweek, mfg.	Dec.			X	— 0.3hr	+ 1.5hr
*Initial unemployment claims (inverted)	Dec.		X		— 5.9%	+ 22.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators,* (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



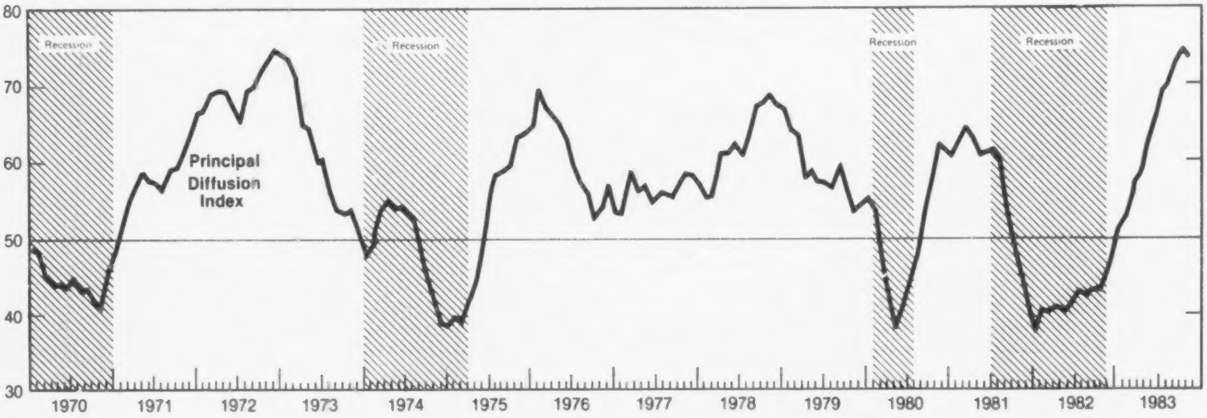
CONFERENCE BOARD DIFFUSION INDEXES

	1982	1983			
DIFFUSION INDEXES	Nov.	Aug.	Sept.	Oct.	Nov.(e)
Principal Diffusion Index	41.7	70.0	73.2	74.3r	73.4
Auxillary Diffusion Index	54.8	53.3	60.4	53.5r	47.2
Industrial Group	32.0	73.3	78.9	80.3	79.6
Nonindustrial Group	51.5	66.7	67.4	68.2r	67.2
Sense of Diffusion	.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	33.8	79.9	85.5	90.2	93.6
Labor	27.6	71.9	77.6	75.8	73.8
Miscellaneous	40.4	66.7	72.4	76.9	73.1
Nonindustrial Subgroups					
Prices	41.0	73.7	78.2	74.4	70.5
Consumer	66.2	70.9	69.7	73.9r	77.8
Building	47.4	59.6	59.0	58.3r	57.7
Miscellaneous	46.4	62.4	63.7	65.0	60.7

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981			*1982*				*1983*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)										
Measure of Business Confidence	61	57	43	47	52	55	60	70	76	75	74
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	57	48	26	23	30	38	44	65	76	82	80
2. Expectations for Economy, Six Months Ahead....................	64	63	51	59	64	65	70	76	78	74	73
3. Expectations for Own Industry, Six Months Ahead	61	60	52	58	61	61	65	70	72	69	70

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981	1982				1983		Percent Change From Previous Year		
	I	II	III	IV	I	IIr	IIIp	1982 Actual	1983 Estimated	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	25.176	20.025	18.439	21.488	20.176	20.633	22.587	-18	- 1	15
Capital expenditures	26.660	25.552	23.991	22.887	18.841	18.643	18.293	- 3	-25	42
Change in appropriations backlog*	-2.259	-7.326	-8.726	-3.395	-0.716	+1.121	+2.241			
Durable Goods										
New appropriations	8.785	7.398	7.724	8.238	8.197	9.453	9.115	-24	14	- 8
Capital expenditures	11.069	10.505	9.684	8.949	7.918	7.655	7.860	- 7	-21	16
Change in appropriations backlog*	-2.723	-3.903	-4.556	-1.351	-0.606	+1.291	+0.995			
Nondurable Goods										
New appropriations	16.391	12.627	11.215	13.250	11.979	11.180	13.432	-14	- 9	32
Capital expenditures	15.591	15.047	14.307	13.938	10.923	10.988	10.433	0	-27	61
Change in appropriations backlog*	0.464	-3.423	-4.170	-2.044	-0.110	-0.170	+1.246			
ELECTRIC & GAS UTILITIES										
New appropriations	8.803	8.502	10.603	10.803	6.966	6.312	5.631			
Capital expenditures	8.958	8.835	9.018	9.331	9.032	9.335	9.092			
Change in appropriations backlog*	-9.039	-1.772	+0.680	-4.492	-5.709	-6.345	-4.014			

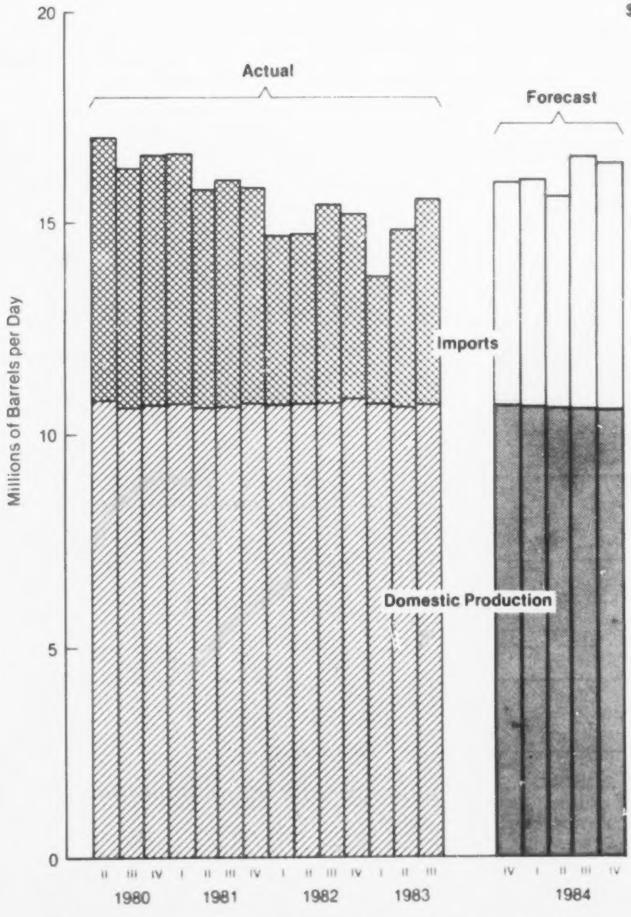
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised   p—preliminary

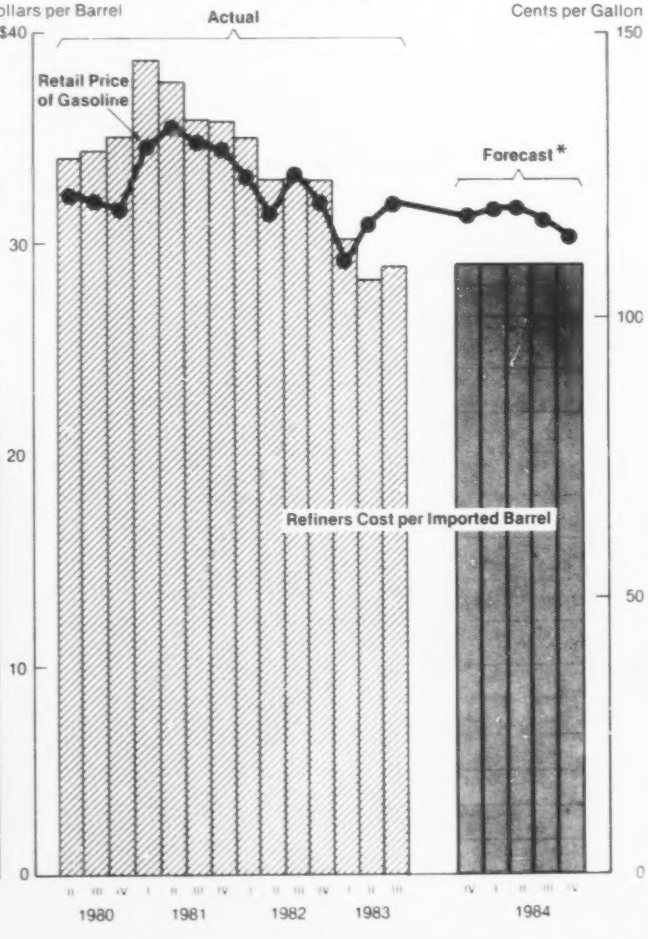
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



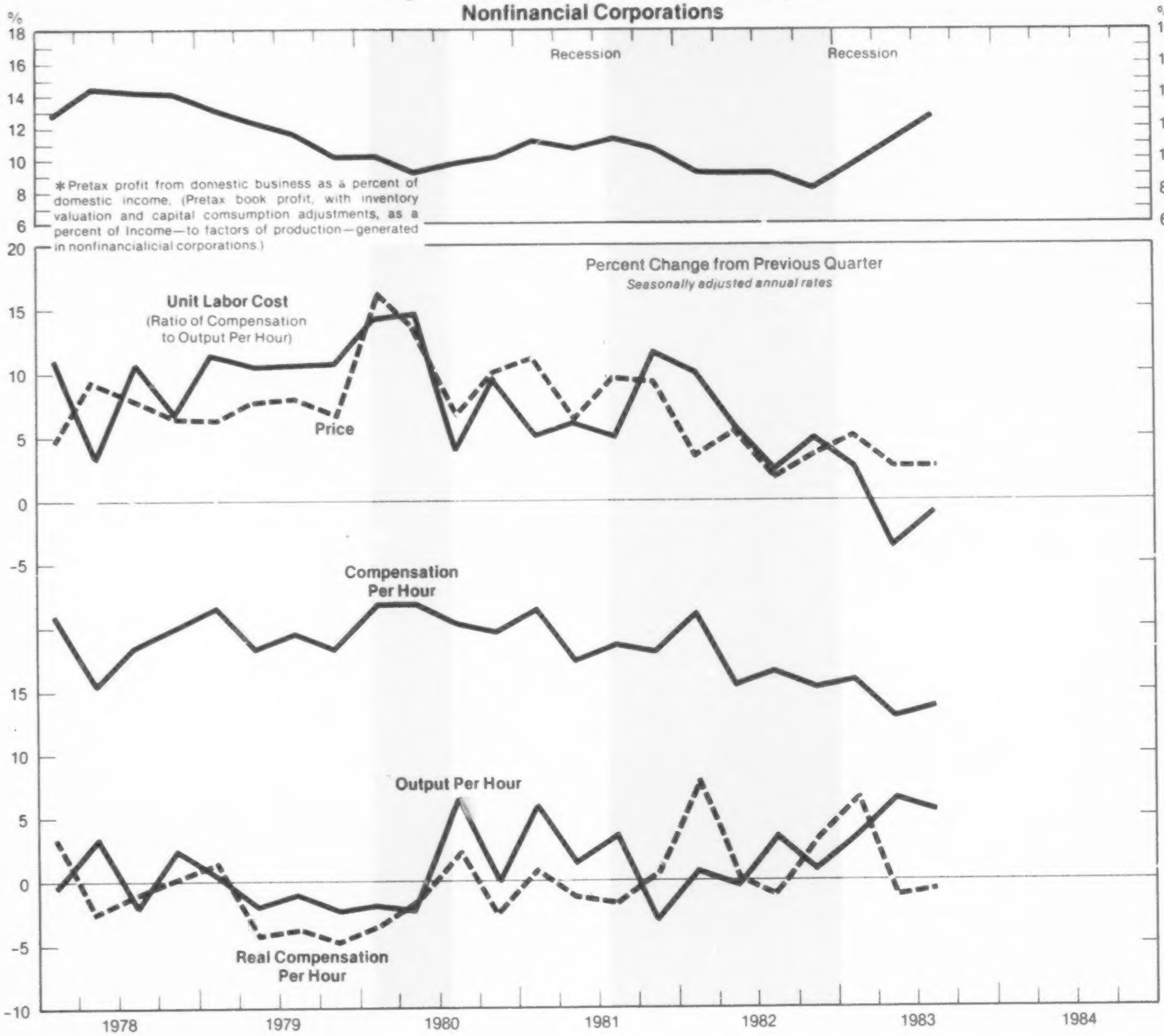
Oil Price



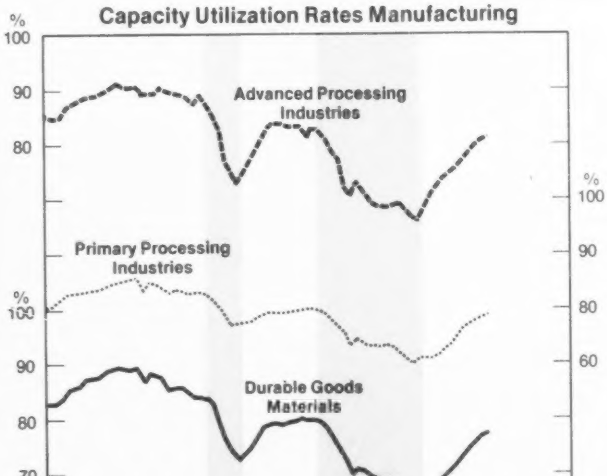
*Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin

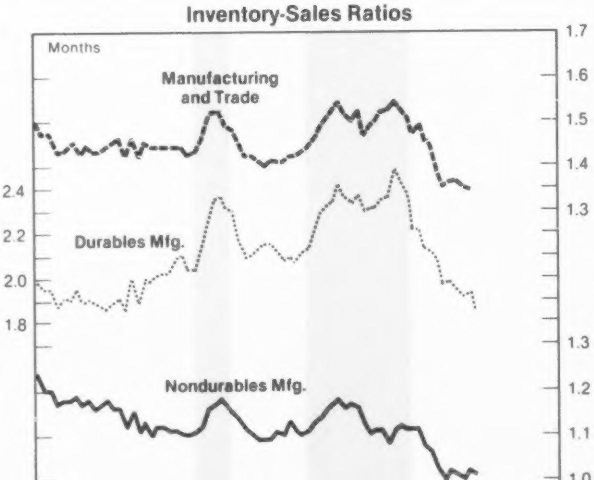
Nonfinancial Corporations



*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of Income—to factors of production—generated in nonfinancialicial corporations.)



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios

ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[2]		E.I. duPont de Nemours & Co.[1]		Georgia State University[2]	
Date of Forecast			*Nov., 1983*		*Dec., 1983*		*Nov., 1983*		*Dec., 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**III**			**$3362.2**	**11.5%**			**$3362.2**	**11.5%**
Forecast		IV	$3442.2	10.1%	3435.1	9.0	$3442.7	10.2%	3443.5	10.0
	1984	I	3532.8	11.0	3526.1	11.0	3527.6	10.2	3532.8	10.8
		II	3620.9	10.4	3603.7	9.1	3610.0	9.7	3610.6	9.1
		III	3710.2	10.2	3702.6	11.4	3688.7	9.0	3682.8	8.2
		IV	3796.9	9.7	3802.3	11.2	3783.5	10.7	3773.7	10.2
	1985	I	3886.4	9.8	3895.1	10.1	3870.1	9.5	3855.8	9.0
		II	3969.9	8.9	3984.5	9.5	3962.4	9.9	3942.5	9.3
		III	4057.9	9.2	4028.0	4.4	4051.0	9.2	4027.9	9.0
		IV	4153.4	9.8	4085.7	5.9	4135.8	8.6	4115.6	9.0
	1983	Annual	3311.5	7.8	3310.2	7.7	3311.6	7.8	3312.3	7.8
	1984	Annual	3665.2	10.7	3658.7	10.5	3652.5	10.3	3650.0	10.2
	1985	Annual	4016.9	9.6	3998.3	9.3	4004.8	9.6	3985.5	9.2
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**III**			**$1553.4**	**7.6%**			**$1553.4**	**7.6%**
Forecast		IV	$1572.8	5.0%	1572.1	4.9	$1572.0	4.8%	1573.6	5.3
	1984	I	1591.7	4.9	1591.9	5.1	1589.0	4.4	1594.8	5.5
		II	1610.3	4.8	1605.5	3.5	1608.0	4.9	1611.3	4.2
		III	1630.0	5.0	1627.1	5.5	1625.0	4.3	1623.6	3.1
		IV	1646.7	4.2	1648.2	5.3	1645.0	5.0	1640.4	4.2
	1985	I	1662.1	3.8	1662.9	3.6	1661.0	3.9	1653.8	3.3
		II	1674.9	3.1	1674.0	2.7	1679.0	4.4	1668.5	3.6
		III	1688.5	3.3	1667.0	-1.7	1695.0	3.9	1680.8	3.0
		IV	1701.3	3.1	1668.9	0.5	1709.0	3.3	1691.7	2.6
	1983	Annual	1535.4	3.4	1535.2	3.4	1535.2	3.4	1535.6	3.4
	1984	Annual	1619.7	5.5	1618.2	5.4	1616.8	5.3	1617.5	5.3
	1985	Annual	1681.7	3.8	1668.2	3.1	1686.0	4.3	1673.7	3.5
Gross National Product deflator Index, 1972 = 100										
Actual	**1983**	**III**			**216.4**	**3.6%**			**216.4**	**3.6%**
Forecast		IV	218.9	4.8%	218.5	3.9	219.0	5.1%	218.8	4.5
	1984	I	222.0	5.8	221.5	5.6	222.0	5.6	221.5	5.0
		II	224.9	5.3	224.5	5.4	224.5	4.6	224.1	4.7
		III	227.6	5.0	227.6	5.6	227.0	4.5	226.8	5.0
		IV	230.6	5.3	230.7	5.6	230.0	5.4	230.0	5.8
	1985	I	233.8	5.8	234.2	6.3	233.0	5.3	233.1	5.5
		II	237.0	5.6	238.0	6.6	236.0	5.2	236.3	5.5
		III	240.3	5.7	241.6	6.2	239.0	5.2	239.6	5.8
		IV	244.1	6.5	244.8	5.4	242.0	5.1	243.3	6.2
	1983	Annual	215.6	4.2	215.6	4.2	215.7	4.2	215.7	4.2
	1984	Annual	226.3	4.9	226.1	4.9	225.9	4.7	225.6	4.6
	1985	Annual	238.8	5.6	239.7	6.0	237.5	5.1	238.1	5.5
Unemployment Rate										
Actual	**1983**	**III**	**9.4%**		**9.4%**		**9.4%**		**9.4%**	
Forecast		IV	8.6		8.5		8.5		8.4	
	1984	I	8.5		8.2		8.2		8.2	
		II	8.4		8.1		8.1		8.0	
		III	8.1		7.8		8.0		8.0	
		IV	7.9		7.6		8.0		7.8	
	1985	I	7.8		7.4		7.8		7.7	
		II	7.7		7.4		7.7		7.6	
		III	7.7		7.8		7.5		7.5	
		IV	7.6		8.1		7.2		7.5	
	1983	Annual	9.6		9.6		9.6		9.6	
	1984	Annual	8.2		7.9		8.1		8.0	
	1985	Annual	7.7		7.7		7.6		7.6	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (1st revision) third quarter data.

[2] Based on revised (2nd revision) third quarter data.

ECONOMIC FORECASTS (continued)

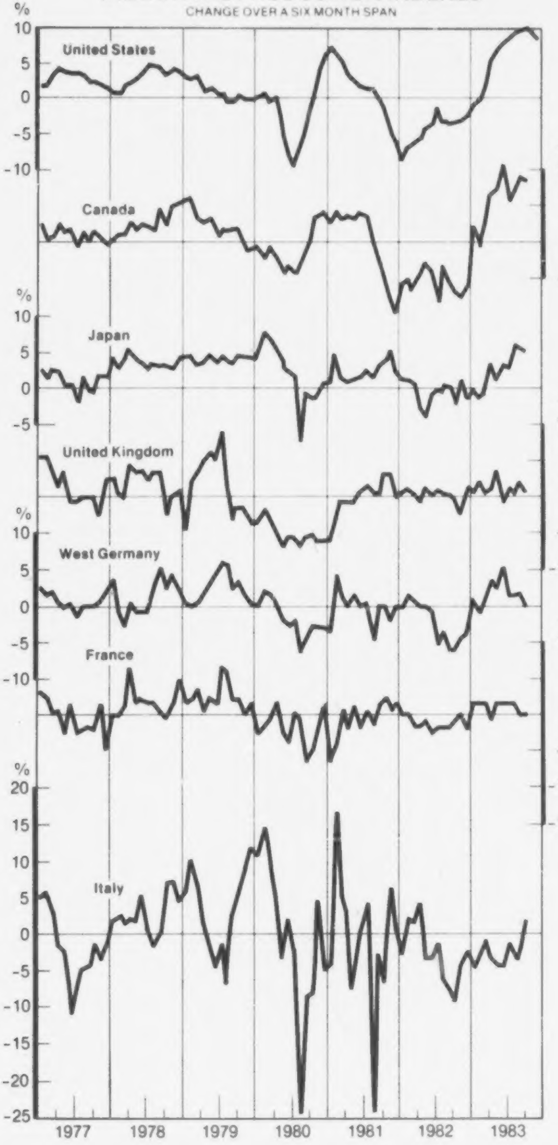
The Conference Board[1]		**Chase Econometric Associates, Inc.**[2]		**Data Resources Inc.**[2]		**Wharton E.F.A. Inc.**[2]				
Dec., 1983		*Dec., 1983*		*Dec., 1983*		*Dec., 1983*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product **Billions of Current Dollars**		
		$3362.2	**11.5%**	**$3362.2**	**11.5%**	**$3362.2**	**11.5%**	**III**	**1983**	**Actual**
$3460.0	12.4%	3438.9	9.4	3436.9	9.2	3441.3	9.7	IV		Forecast
3544.0	10.1	3524.9	10.4	3518.5	9.8	3532.7	11.1	I	1984	
3621.0	9.0	3610.7	10.1	3590.8	8.5	3621.9	10.5	II		
3686.0	7.4	3693.9	9.5	3667.0	8.8	3714.2	10.6	III		
3790.0	11.8	3785.4	10.3	3745.8	8.9	3803.8	10.0	IV		
		3869.6	9.2	3818.0	7.9	3888.1	9.2	I	1985	
		3955.8	9.2	3882.7	7.0	3970.0	8.7	II		
		4024.4	7.1	3953.0	7.4	4046.5	7.9	III		
		4104.1	8.2	4030.3	8.1	4121.8	7.7	IV		
3316.0	7.9	3311.2	7.8	3310.7	7.7	3311.8	7.8	Annual	1983	
3660.3	10.4	3653.7	10.3	3630.5	9.7	3668.2	10.8	Annual	1984	
		3988.5	9.2	3921.0	8.0	4006.6	9.2	Annual	1985	
								Gross National Product **Billions of Constant (1972) Dollars**		
		$1553.4	**7.6%**	**$1553.4**	**7.6%**	**$1553.4**	**7.6%**	**III**	**1983**	**Actual**
$1584.5	8.2%	1573.9	5.4	1572.2	4.9	1574.4	5.5	IV		Forecast
1604.8	5.2	1592.4	4.8	1591.6	5.0	1593.6	5.0	I	1984	
1617.8	3.3	1608.8	4.2	1608.2	4.2	1611.9	4.7	II		
1624.2	1.6	1624.6	4.0	1624.7	4.2	1631.3	4.9	III		
1647.0	5.7	1637.1	3.1	1640.4	3.9	1647.4	4.0	IV		
		1647.4	2.5	1654.0	3.4	1662.0	3.6	I	1985	
		1656.8	2.3	1663.5	2.3	1673.6	2.8	II		
		1665.2	2.0	1674.7	2.7	1681.6	1.9	III		
		1673.3	2.0	1686.1	2.8	1687.2	1.3	IV		
1538.3	3.6	1535.6	3.4	1535.2	3.4	1535.8	3.4	Annual	1983	
1623.5	5.5	1615.7	5.2	1616.2	5.3	1621.1	5.6	Annual	1984	
		1660.7	2.8	1669.6	3.3	1676.1	3.4	Annual	1984	
								Gross National Product deflator **Index, 1972 = 100**		
216.3	**3.3%**	**216.4**	**3.6%**	**216.4**	**3.6%**	**216.4**	**3.6%**	**III**	**1983**	**Actual**
218.4	3.9	218.5	3.9	218.6	4.1	218.6	4.0	IV		Forecast
220.8	4.6	221.4	5.3	221.1	4.6	221.7	5.8	I	1984	
223.8	5.5	224.4	5.7	223.3	4.1	224.7	5.6	II		
226.9	5.7	227.4	5.3	225.7	4.4	227.7	5.4	III		
230.1	5.7	231.2	7.0	228.3	4.8	230.9	5.8	IV		
		234.9	6.5	230.8	4.4	233.9	5.4	I	1985	
		238.8	6.8	233.4	4.5	237.2	5.7	II		
		241.7	5.0	236.0	4.6	240.6	5.9	III		
		245.3	6.1	239.0	5.2	244.3	6.2	IV		
215.5	4.2	215.6	4.2	215.6	4.2	215.6	4.2	Annual	1983	
225.4	4.6	226.1	4.9	224.6	4.2	226.2	4.9	Annual	1984	
		240.1	6.2	234.8	4.6	239.0	5.6	Annual	1985	
								Unemployment Rate		
9.4%		**9.4%**		**9.4%**		**9.4%**		**III**	**1983**	**Actual**
8.5		8.4		8.5		8.5		IV		Forecast
8.2		8.2		8.3		8.3		I	1984	
8.0		8.0		8.0		8.1		II		
8.0		7.9		7.9		8.0		III		
7.7		7.8		7.7		7.8		IV		
		7.7		7.6		7.6		I	1985	
		7.7		7.6		7.5		II		
		7.8		7.6		7.3		III		
		8.0		7.6		7.3		IV		
9.6		9.6		9.6		9.6		Annual	1983	
8.0		8.0		8.0		8.1		Annual	1984	
		7.8		7.6		7.5		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

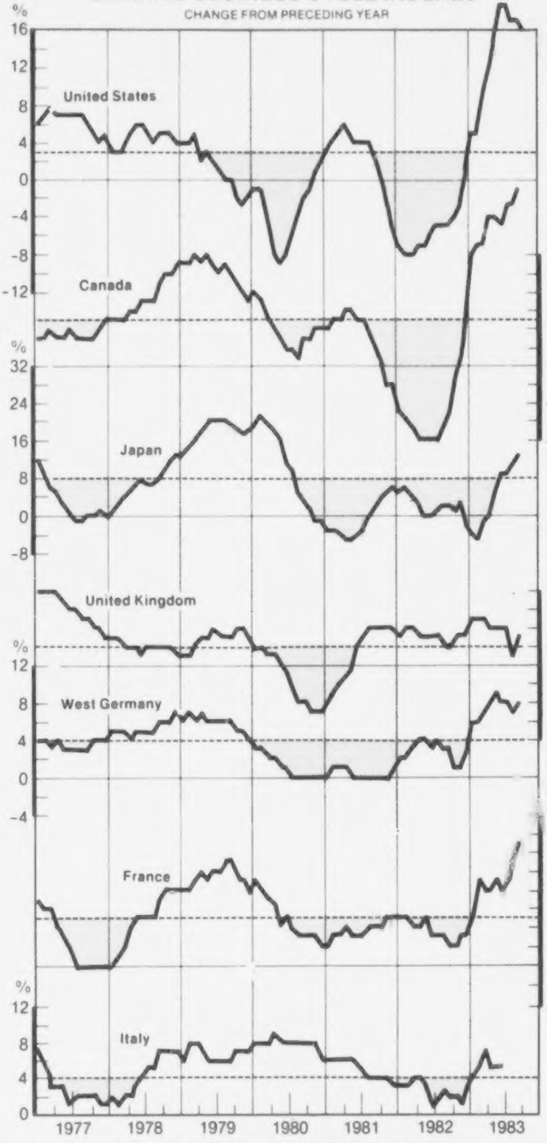
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



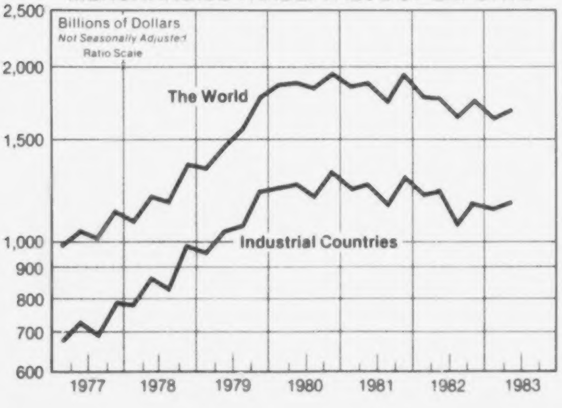
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

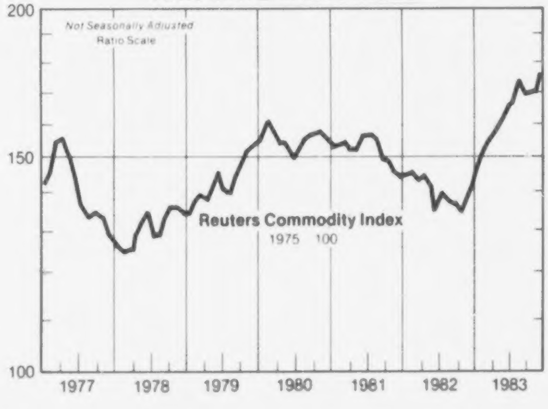


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

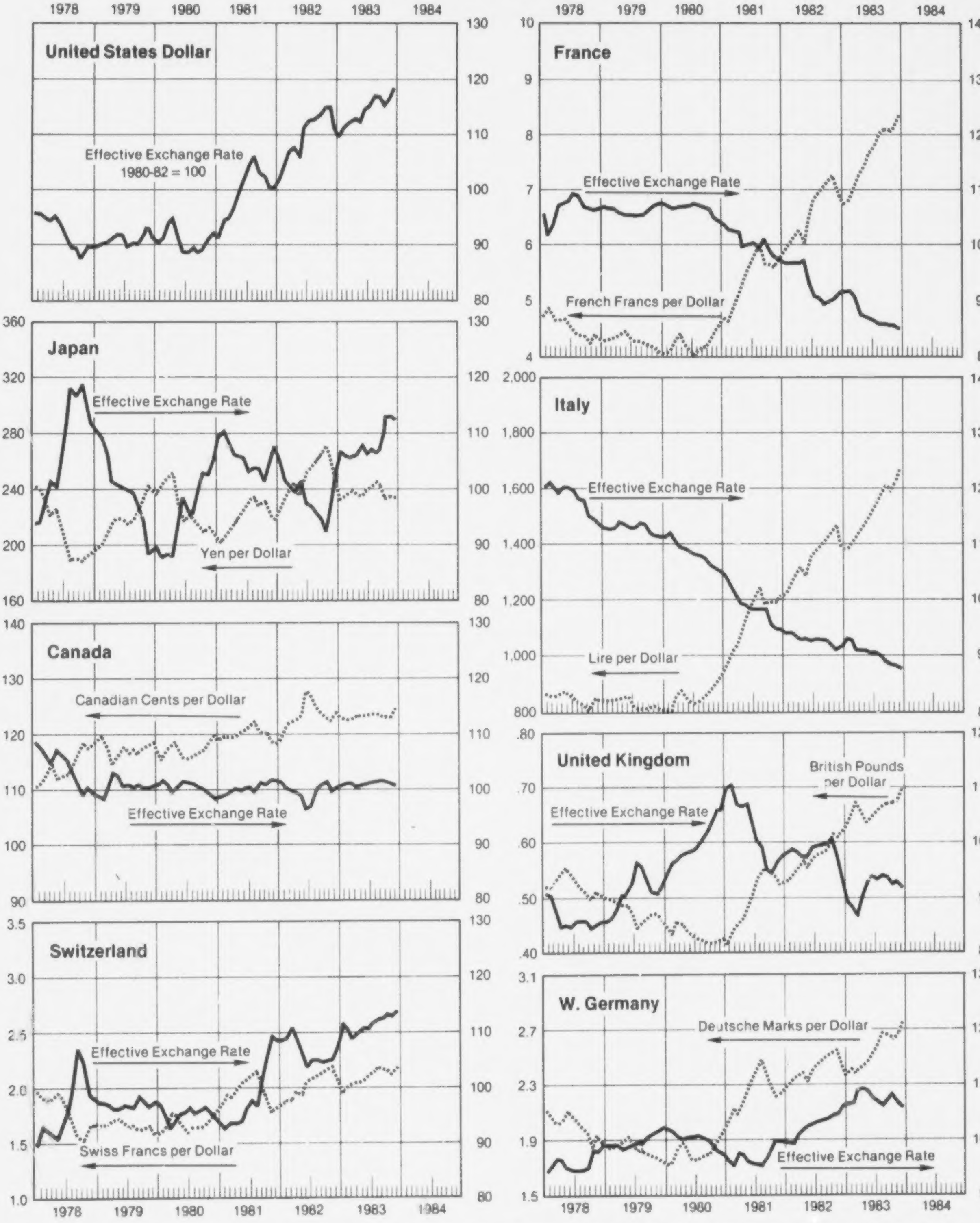


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

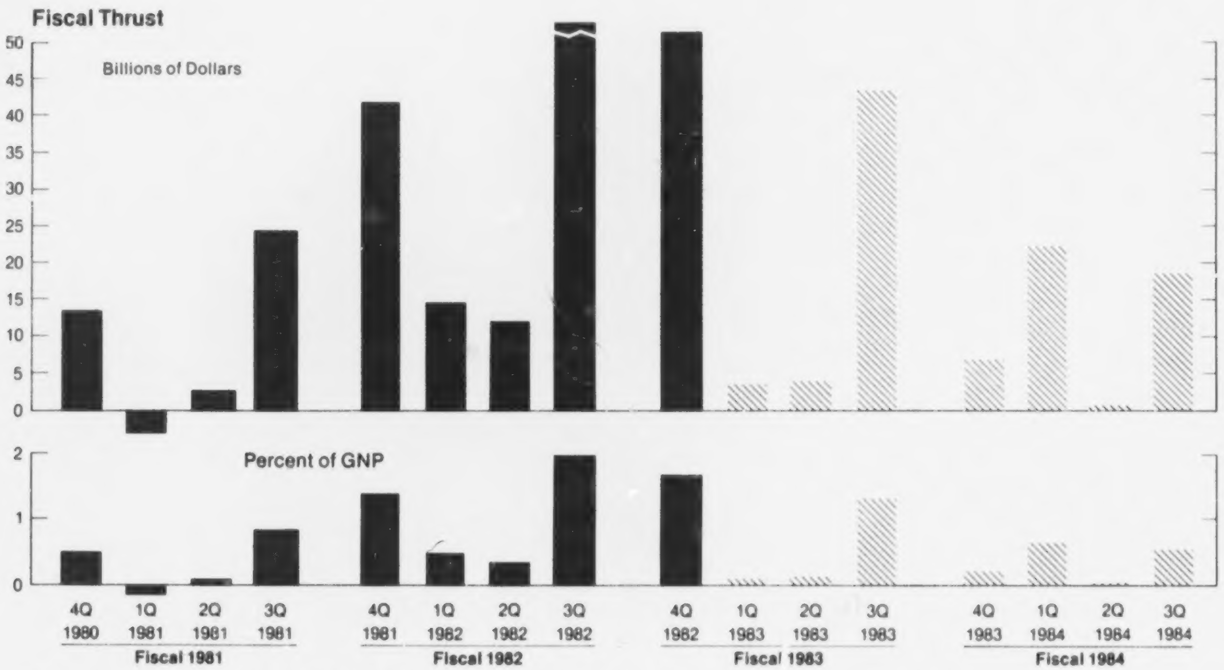
Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET

($ Billions)

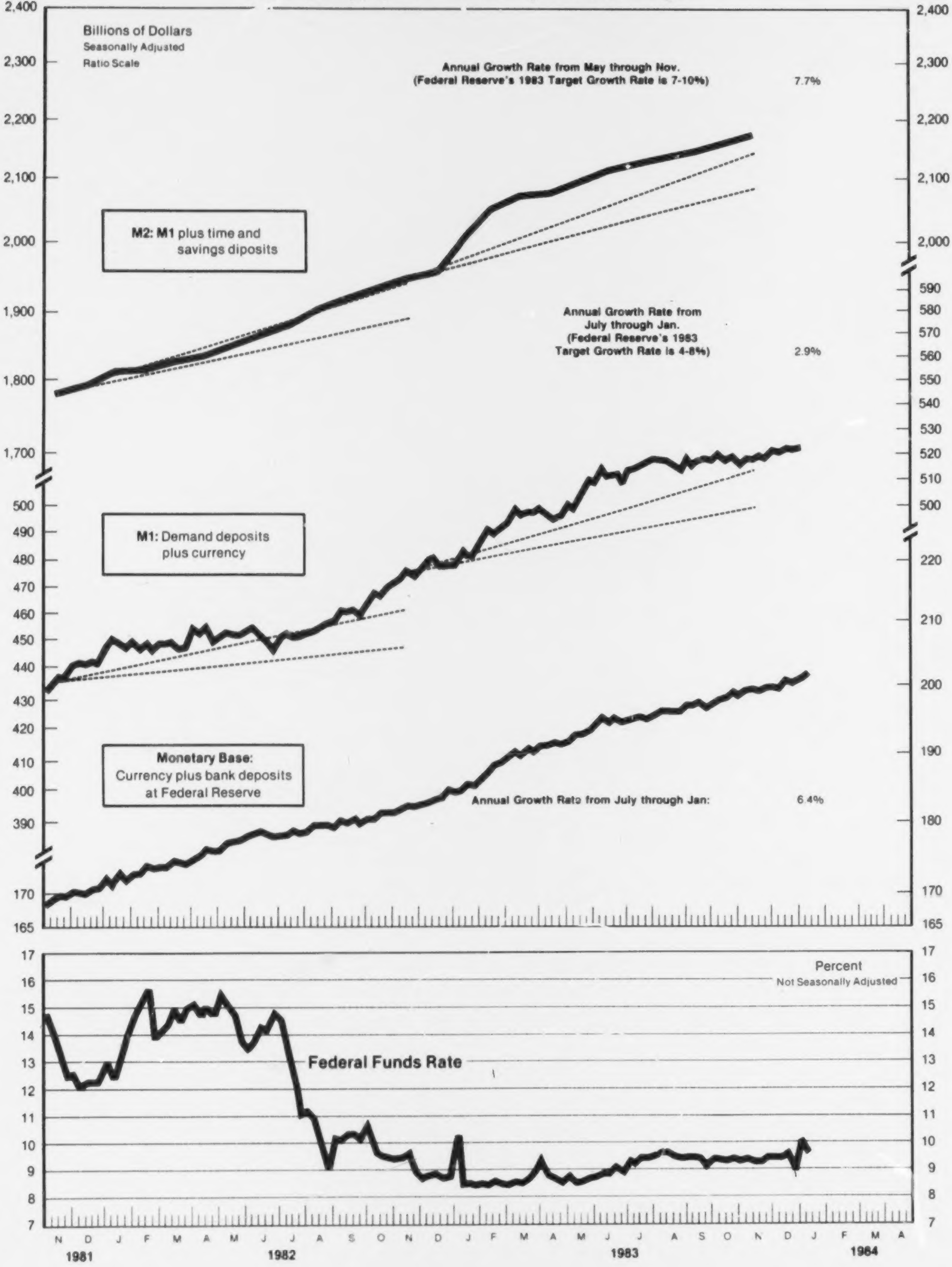
	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual (10/26/82)	President's Proposal (7/25/83)	Congressional Estimate (9/1/82)	Current Service (7/25/83)	President's Proposal (7/25/83)	Congressional Estimate (6/20/83)
Receipts	**$617.8**	**$599.9**	**633.0**	**665.6**	**668.4**	**679.6**
Outlays	**728.4**	**809.8**	**788.0**	**866.0**	**848.1**	**849.5**
Deficit	**—110.6**	**—209.8**	**—155.0**	**—200.4**	**—179.7**	**—169.9**
Receipts by source	**617.8**	**599.9**	**633.0**	**665.6**	**668.4**	**679.6**
Individual income taxes	298.1	288.5	298.0	294.6	296.0	
Corporate income taxes	49.2	35.2	47.0	64.1	64.1	
Social insurance	201.1	211.1	217.0	240.0	241.4	242.3
Other receipts	69.4	65.1	71.0	66.9	66.9	
Outlays by function	**728.4**	**809.8**	**788.0**	**866.0**	**848.1**	**849.5**
Income security	248.8	279.4	270.0	278.5	275.2	278.8
National defense	187.4	214.8	216.0	245.4	242.3	240.0
Health	74.0	82.3	79.0	92.4	90.5	92.6
Education and manpower	25.4	27.2	27.0	27.9	26.5	28.4
Transportation	20.6	21.1	20.0	26.0	25.9	26.0
Veterans' benefits	24.0	24.9	24.0	25.5	25.5	25.5
International affairs	10.0	11.0	13.2	13.1	13.5	13.0
Natural resources and environment	13.1	12.5	11.0	12.0	10.8	12.5
Agriculture	14.8	25.3	15.0	16.9	13.8	11.5
General science	7.1	7.8	8.0	8.2	8.3	8.3
Community development	7.4	7.4	8.0	7.9	7.8	8.1
Revenue sharing	6.2	6.4	6.0	6.8	6.8	7.2
General government	4.8	5.8	5.0	5.4	5.6	5.6
Justice	4.6	5.3	5.0	5.4	5.5	5.9
Energy	4.8	4.6	5.0	4.4	4.4	4.3
Commerce and housing credit	3.8	5.1	2.0	3.3	2.8	2.3
Interest	100.8	89.0	115.0	104.9	103.5	97.1
Allowances	—	—	—3.0	1.9	0.9	0.8
Undistributed offsetting receipts	—29.3	—19.9	—36.0	—20.0	—21.0	—18.1

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



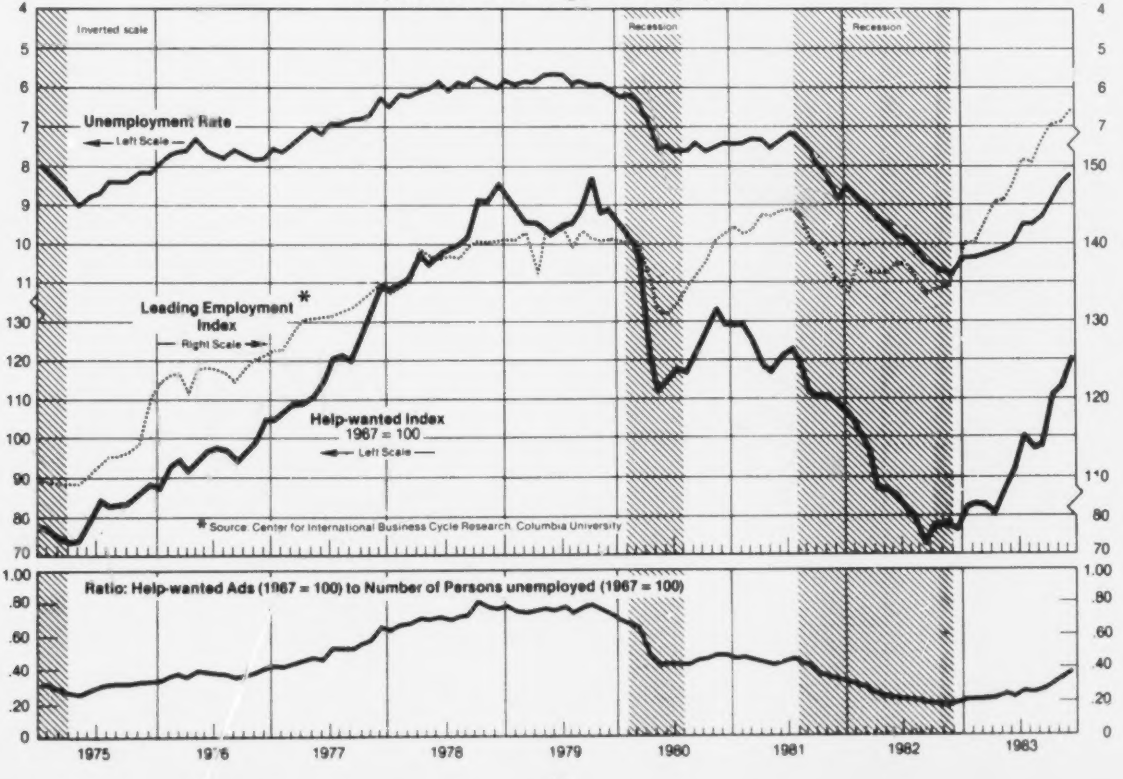
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983			1982
	Nov.	Oct.	Sept.	Nov.
Total Index				
51 papers	114	111	98	78
New England	121	120	102	80
Boston	136	136	115	86
Hartford	112	112	101	87
Providence	75	74	61	51
Middle Atlantic	53	53	48	43
Albany	100	94	85	74
Allentown	116	126	96	80
New York	49	48	46	39
Philadelphia	48	49	42	38
Pittsburgh	44	47	41	42
Rochester	58	54	46	50
Syracuse	80	75	68	65
East North Central	65	63	53	43
Chicago	80	80	63	40
Cincinnati	77	76	67	58
Cleveland	44	42	37	33
Columbus	85	81	73	71
Dayton	50	47	43	44
Detroit	42	40	37	29
Gary	101	91	83	99
Indianapolis	73	62	47	54
Milwaukee	47	41	38	31
Toledo	76	69	66	63
West North Central	63	67	57	41
Kansas City	82	102	86	60
Minneapolis	57	57	45	30
Omaha	95	99	91	69
St. Louis	49	47	41	31
South Atlantic	130	125	11	88
Atlanta	229	224	189	141
Baltimore	100	71	72	65
Charlotte	107	108	98	73
Jacksonville	162	148	151	124
Miami	79	85	75	60
Richmond	68	67	65	51
Washington, D.C.	127	131	111	90
East South Central	103	103	91	76
Birmingham	109	102	96	79
Knoxville	158	158	149	124
Louisville	55	57	48	44
Memphis	95	84	84	67
Nashville	132	146	115	94
West South Central	262	264	226	184
Dallas	373	378	299	221
Houston	344	344	297	248
New Orleans	107	120	11	101
Oklahoma City	141	129	124	136
San Antonio	161	173	156	116
Tulsa	129	118	121	102
Mountain	276	242	209	154
Denver	197	171	158	114
Phoenix	384	343	281	194
Salt Lake City	276	240	206	173
Pacific	170	164	151	114
Los Angeles	130	128	117	89
Sacramento	274	261	228	200
San Bernardino	138	136	119	97
San Diego	334	323	301	204
San Francisco	193	176	164	120
Seattle	171	170	165	133
Percentage of papers with rising volume	63%	92%	33%	63%
Unemployment rate	8.4%	8.7%	9.3%	10.7%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



*Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

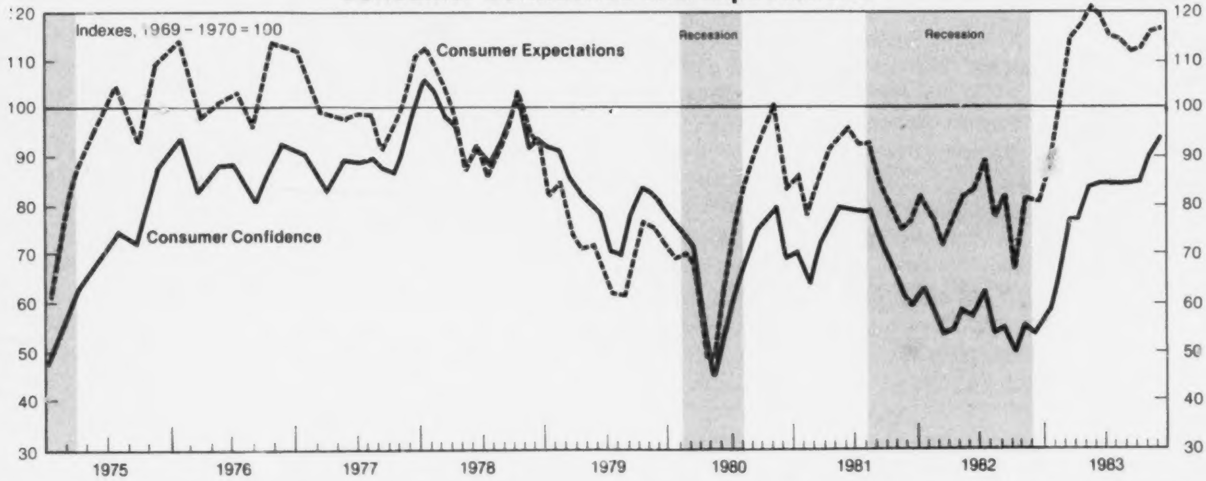
Indexes, 1969-1970=100
(Seasonally Adjusted)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2r	94.0p
Buying Plans Index												
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9r	105.2p

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

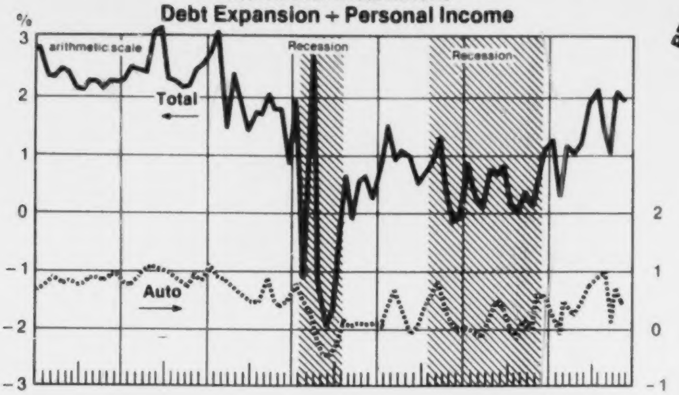
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

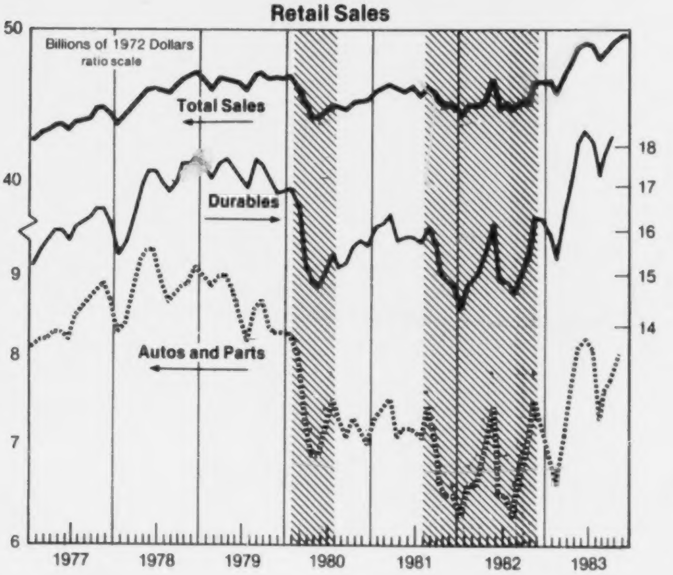
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



REVISED

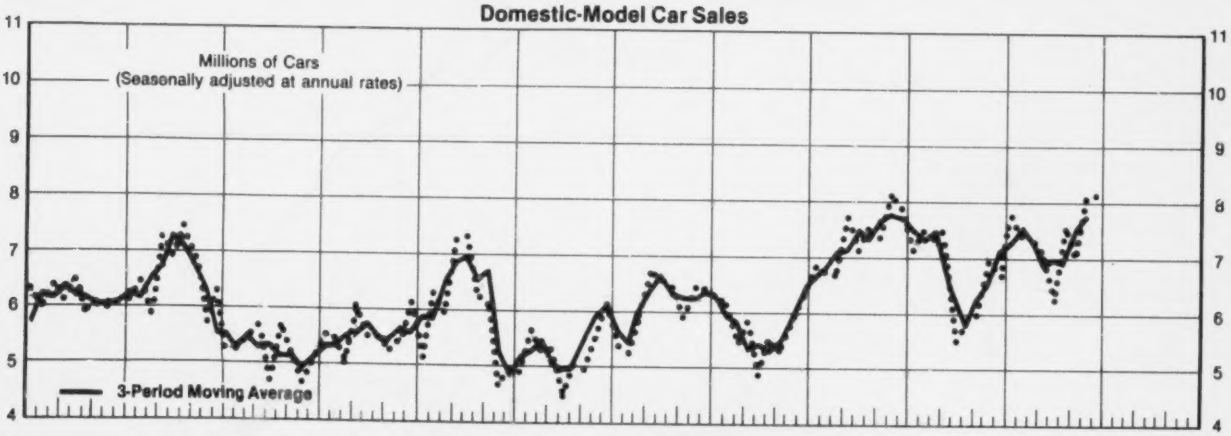
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

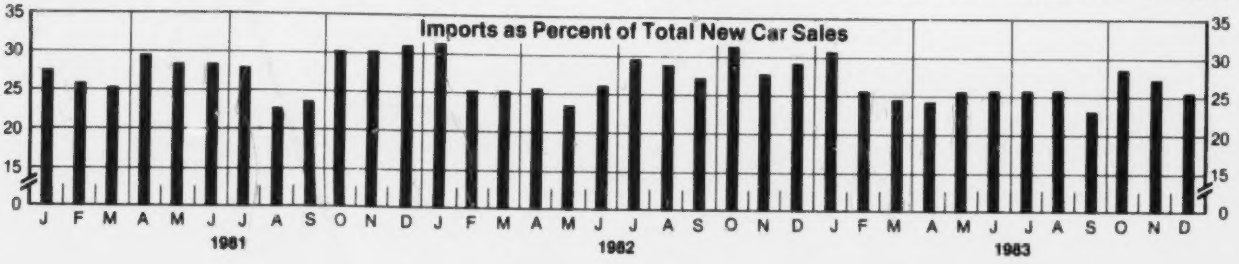
Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.72	6.15	5.57	6.21
	11-20	7.25	6.60	5.56	6.17
	21-31	8.85	6.51	5.00	5.44
February:	1-10	7.09	6.49	6.06	5.81
	11-20	8.14	5.56	5.57	4.85
	21-28(29)	6.41	7.76	5.58	5.59
March:	1-10	7.08	7.66	5.25	5.39
	11-20	7.47	9.66	5.45	5.85
	21-31	6.15	5.05	6.19	6.21
April:	1-10	7.09	6.24	5.16	6.82
	11-20	5.93	6.00	6.36	6.76
	21-30	6.07	6.40	5.94	6.71
May:	1-10	5.81	6.13	7.30	7.72
	11-20	6.00	6.52	7.34	7.07
	21-31	5.33	5.94	6.25	7.55
June:	1-10	5.57	6.09	6.10	7.34
	11-20	6.58	5.99	4.68	8.12
	21-30	6.44	6.06	4.94	7.88
July:	1-10	7.16	6.09	4.92	7.16
	11-20	6.11	6.47	5.61	7.42
	21-31	6.69	5.89	5.30	7.37
August:	1-10	5.62	7.31	5.35	7.51
	11-20	5.87	6.98	4.52	5.53
	21-31	6.09	7.49	5.05	5.88
September:	1-10	6.35	6.88	4.93	5.98
	11-20	5.25	5.73	6.54	6.99
	21-30	6.43	6.36	6.19	6.64
October:	1-10	8.07	5.29	5.40	7.78
	11-20	7.20	5.27	5.25	7.40
	21-31	6.62	5.43	5.80	7.31
November:	1-10	6.65	5.71	6.71	7.13
	11-20	6.79	4.72	6.64	6.23
	21-30	6.07	5.64	6.45	7.59
December:	1-10	7.10	5.14	5.83	7.06
	11-20	6.87	4.74	6.43	8.06
	21-31	5.76	5.00	6.41	8.18

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 17, No. 2, February, 1984

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The Conference Board

COMMENT

The $200 billion deficit in the Federal Government's budget for fiscal 1985 (see the *Perspective on the Federal Budget* table) is not the only red ink roiling financial markets. The foreign trade deficit ballooned to $69 billion in 1983 and is sure to set a new record in 1984. All this red ink is interrelated with high interest rates and the high value of the dollar in international exchange markets. Despite repeated assertions by some economists that budget deficits and hikes in interest rates are not directly related, the financial markets have been registering concern for some time that Treasury borrowing may crowd out private credit demand. The competition for funds keeps pressure on interest rates, making any prospect for significant rate relief remote. Further, high domestic interest rates, strong consumer-led, domestic economic expansion, and slow growth prospects in some of our major trading partners (see the *Leading Business Indexes* chart), act as a magnet for foreign capital and keep the dollar at a premium (see the *Foreign Exchange Rates* chart). The capital inflow has provided some funds to the financial market. This inflow, together with relatively subdued private credit demand, has helped to limit any crowding out. The capital inflow, however, cuts into a normally large surplus in the capital account of foreign trade. That surplus has, in the past, covered a chronic deficit in the trade of goods and services. Now, a growing domestic economy is being served by a vigorous pickup in imports, and the high value of the dollar lends a pricing edge to those imports. Slow growth prospects elsewhere limit exporting potential and the dollar's appreciation lends a pricing disadvantage.

The concern reflected in financial market activity is that large deficits, budget and trade, and high interest rates with high dollar appreciation will curtail economic expansion. We have said in this space that 1984 is generally expected to be the year when a consumer-led recovery matures into an investment-sustained expansion. A recovery in business investment entails an increase in private business demand for loanable funds. If the Federal Reserve keeps a relatively tight grip on the money tap, credit market conditions are more likely to nurture hikes in interest rates than to allow any relief. A more ominous fear is that if this expansion does develop symptoms of premature distress, especially in the course of a presidential election, calls to ease the grip on the money tap will not go unheeded. The monetarist concern, which enjoys wide acceptance, is that faster money growth will let the inflation genie out of the bottle. The Federal Reserve has announced that the basic money supply, M1 (demand deposits plus currency), is targeted for growth of between 4 and 8% from November, 1983 to November, 1984. That range is a full percentage lower than the original targets for 1983. The monetary authorities, then, are signaling to financial markets that the hard-won victory over inflation will not be sacrificed for the sake of prolonging the expansion.

High interest rates and highly appreciated dollars can live together quite happily—but not when accompanied by high budget and trade deficits. Something must give and the most likely candidate to drop from the heights is the dollar. Its effective *Exchange Rate* against other major currencies was 119.1 (1980-1982 = 100) in January—that is, almost 20% above the baseline value. A year earlier, the figure was closer to 10 percent. There are some signs, however, that the dollar is no longer rising against some currencies, and it may be on the decline against a few—particularly the yen. If the dollar has indeed begun to descend from the heights, it is a mixed blessing. On the plus side, exporting efforts, severely constrained by the dollar's strength, may be a little more successful, which would be of some benefit with regard to the trade deficit. On the other side of the coin, as the dollar depreciates, the price of imports rises and puts pressure on prices of import-competitive goods. Further, if the dollar begins to slide, the capital inflow will slow, perhaps even reverse. Since the capital inflow has afforded some breathing room in capital markets, a capital outflow will increase market discomfort.

Other changes in the economic landscape are also likely to occur in the very near term. Politicians of all stripes would rather get past elections before tackling hard, unpopular questions about reducing deficits. Nevertheless, market unease may evoke a response sooner than politicians would prefer. There is a good chance that tax rates will go up in 1984. Higher corporate and personal tax rates will take some steam out of consumer demand and will limit the momentum of recovering investment.

The economy at present shows continuing vigor in consumer demand and signs that business investment is capable of recovering soon if conditions will allow. Retail sales, adjusted for inflation, were 3% higher in January

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
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Ottawa, Ontario, K1L-6R3, Canada

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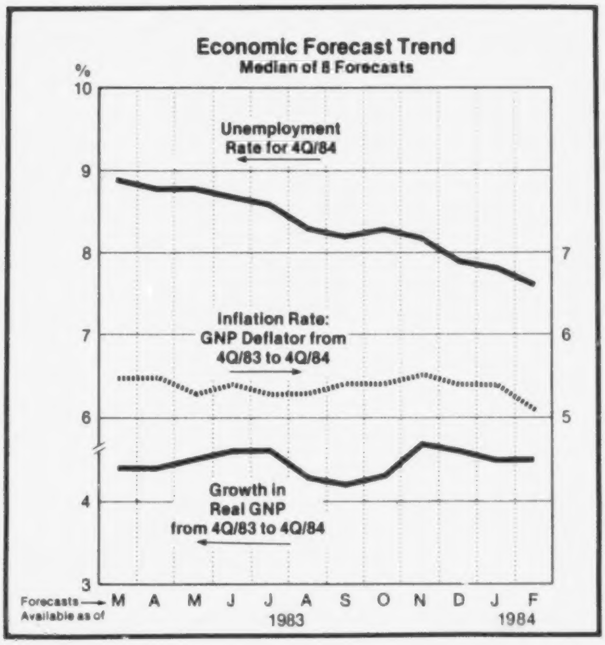
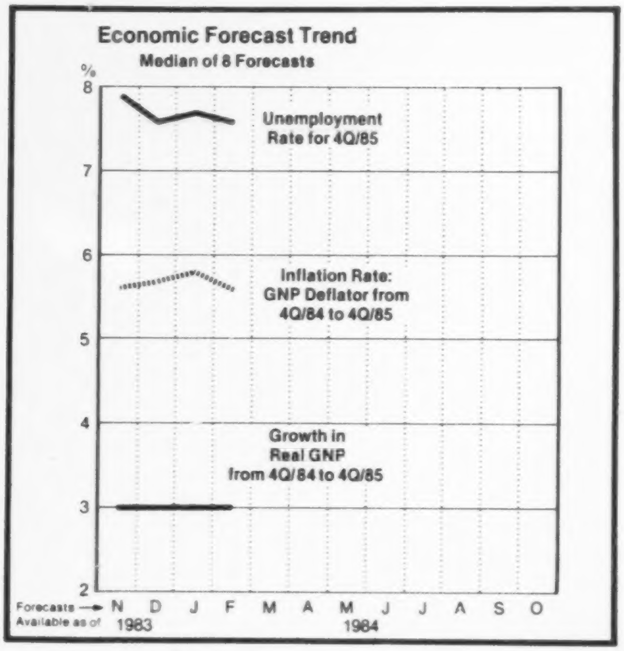


than they were three months earlier. New, domestic *Automobile Sales* began to surge in December and remained very solid through the first 10-day period in February. It is now clear that this pickup in buying has been heavily financed. The ratio of *Consumer Installment Debt Expansion to Personal Income* began to rise sharply in October and remained elevated through December. Consumer willingness to spend, even buying on credit, reflects how favorably households consider recent economic news and how positive they feel about prospects for the next six months. The Conference Board's *Consumer Confidence Index*—and its component series, the *Expectations Index*—continued to rise through January. The consumer sector is generally a net saver. High interest rates, then, mean not only costly financing of big-ticket items, like cars and homes, but also very favorable returns on savings accounts. Further, the steady and pronounced reduction in unemployment has had an overwhelming impact on consumer attitudes. The Conference Board's *Help-wanted Index*, a measure of labor demand, took a sharp jump in December and early indications are that it held on to most of that increase in January. This suggests that employment news is likely to remain favorable for the next few months. Consumer assessment of business conditions, then, is likely to remain positive for the time being, even if jolted by the imposition of a surcharge on personal income taxes.

The capacity utilization rate for advanced-processing manufacturing reached 80.6% in October, and remained at that level in the following three months. Increases in production can be achieved with the present stock of plant and equipment, but at this level of utilization the question of adequate capacity on hand to meet expected rising demand in the next few years is beginning to press for attention. Strategic planners are taking steps to address the problem. The Conference Board's *Capital Appropriations and Expenditures* survey of the nation's 1,000 largest manufacturers shows that approval of new spending projects rose considerably in the third quarter of 1983. Early returns indicate that new appropriations continued to rise in the fourth quarter. The expectation has been that spending on these approved projects would begin in the second half of 1984. The question now is whether deficits, interest rates, and high-valued dollars will box investment into a corner.

The *Economic Forecasts* indicate that growth of real output has subsided from the 8 to 9% range of the second and third quarters of 1983 (seasonally adjusted at annual rates) to an expected 4 to 5% range in the four quarters of 1984 (medians of the forecasts). That says nothing more than that the cyclical recovery has been accomplished and growth is now more in line with an ongoing expansion. However, the forecasts suggest that real GNP growth will slow to only 3% in the four quarters of 1985. That outlook reflects the difficulty of lifting investment off the ground in an environment of deficits, high interest rates, and a high-valued dollar. Moreover, the most pessimistic view is that growth may slow to only 2½% by the first quarter of 1985, and that the economy may not expand at all from that point through the forecast horizon (first quarter of 1986). In sum, the general outlook is for slow growth in 1985, with a too familiar caveat that the system will not have much of a cushion to absorb unfavorable shocks.

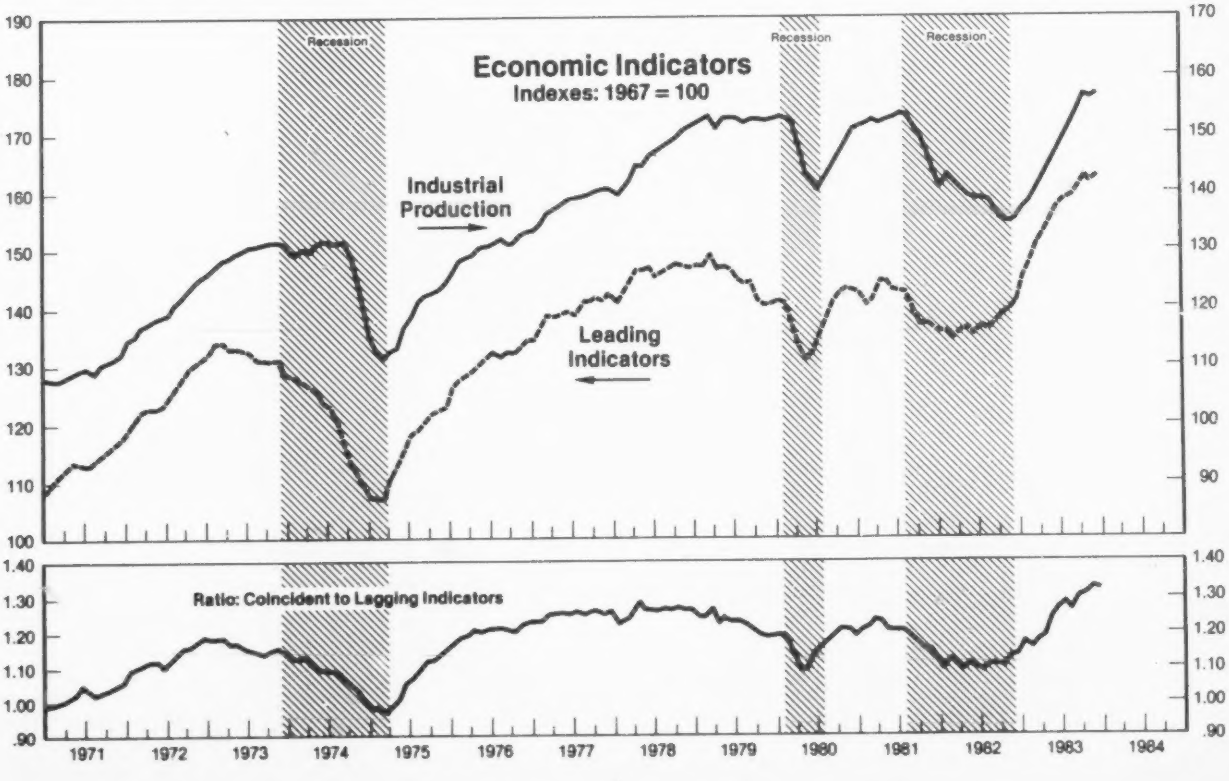
Ken Goldstein
February 14, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Dec.	X			+ 1.7%	+ 15.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Dec.			X	—10.0%	+ 9.3%
New orders, nondefense capital goods (deflated)	Dec.			X	— 7.5%	19.3%
*New business formation	Dec.		X		— 0.6%	+ 0.6%
*Housing permits	Dec.		X		+ 2.9%	+ 16.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Dec.		X		+ 1.9%	+ 27.3%
*Change in inventory, on hand & order (deflated)	Nov.	X			+ 9.7%	+ 36.7%
Purchasing agents' buying policy	Jan.	X			+ 5 %	+ 16 %
*Vendor performance, reported slower deliveries	Dec.	X			+ 7 %	+ 29 %
Industrial raw materials prices	Jan.	X			+ 3.8%	+ 22.6%
*Change in sensitive material prices	Dec.			X	— 0.2%	+ 1.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Dec.	X			+ 0.8%	+ 7.4%
Change in business loans	Dec.	X			+68.2%	+132.2%
*Change in credit outstanding	Dec.	X			+18.0%	+ 27.3%
Change in consumer installment debt	Nov.	X			+15.4%	+ 50.4%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			+13.0%	+ 22.3%
*Common stock prices	Jan.			X	— 0.5%	+ 15.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan.	X			+ 0.3hr	+ 1.2hr
*Initial unemployment claims (inverted)	Jan.	X			+ 4.5%	+25.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



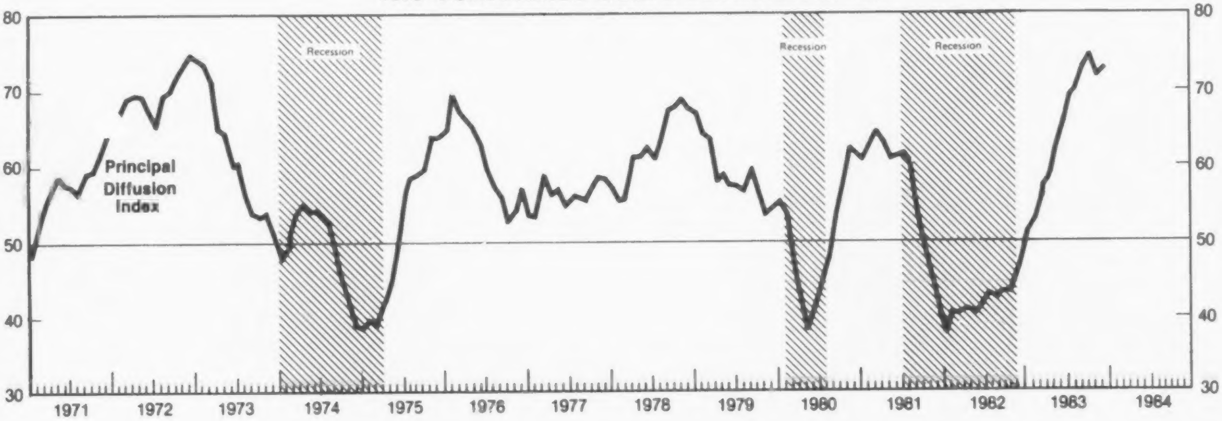
CONFERENCE BOARD DIFFUSION INDEXES

	1982	1983			
DIFFUSION INDEXES	Dec.	Sept.	Oct.	Nov.	Dec.(e)
Principal Diffusion Index	45.0	73.2	74.3	71.9r	72.9
Auxillary Diffusion Index	60.6	60.4	53.5	42.2r	53.2
Industrial Group	35.5	78.9	80.3	76.5r	79.6
Nonindustrial Group	54.5	67.4	68.2	67.2	66.2
Sense of Diffusion	0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	32.9	85.5	90.2	83.3r	86.3
Labor	31.8	77.6	75.8	73.8	76.5
Miscellaneous	48.7	72.4	76.9	73.1	76.9
Nonindustrial Subgroups					
Prices	42.3	78.2	74.4	70.5	66.7
Consumer	72.2	69.7	73.9	72.6r	76.9
Building	40.4	59.0	58.3	65.4r	56.4
Miscellaneous	54.3	63.7	65.0	60.7	61.5

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981			*1982*				*1983*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)										
Measure of Business Confidence	61	57	43	47	52	55	60	70	76	75	74
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	57	48	26	23	30	38	44	65	76	82	80
2. Expectations for Economy, Six Months Ahead	64	63	51	59	64	65	70	76	78	74	73
3. Expectations for Own Industry, Six Months Ahead	61	60	52	58	61	61	65	70	72	69	70

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981	1982			1983			Percent Change From Previous Year		
	I	II	III	IV	I	IIr	IIIp	1982 Actual	1983 Estimated	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	25.176	20.025	18.439	21.488	20.176	20.633	22.587	−18	−1	15
Capital expenditures	26.660	25.552	23.991	22.887	18.841	18.643	18.293	−3	−25	42
Change in appropriations backlog*	−2.259	−7.326	−8.726	−3.395	−0.716	+1.121	+2.241			
Durable Goods										
New appropriations	8.785	7.398	7.724	8.238	8.197	9.453	9.115	−24	14	−8
Capital expenditures	11.069	10.505	9.684	8.949	7.918	7.655	7.860	−7	−21	16
Change in appropriations backlog*	−2.723	−3.903	−4.556	−1.351	−0.606	+1.291	+0.995			
Nondurable Goods										
New appropriations	16.391	12.627	11.215	13.250	11.979	11.180	13.432	−1[illegible]	−9	32
Capital expenditures	15.591	15.047	14.307	13.938	10.923	10.988	10.433	0	−27	61
Change in appropriations backlog*	0.464	−3.423	−4.170	−2.044	−0.110	−0.170	+1.246			
ELECTRIC & GAS UTILITIES										
New appropriations	8.803	8.502	10.603	10.803	6.966	6.312	5.631			
Capital expenditures	8.958	8.835	9.018	9.331	9.032	9.335	9.092			
Change in appropriations backlog*	−9.039	−1.772	+0.680	−4.492	−5.709	−6.345	−4.014			

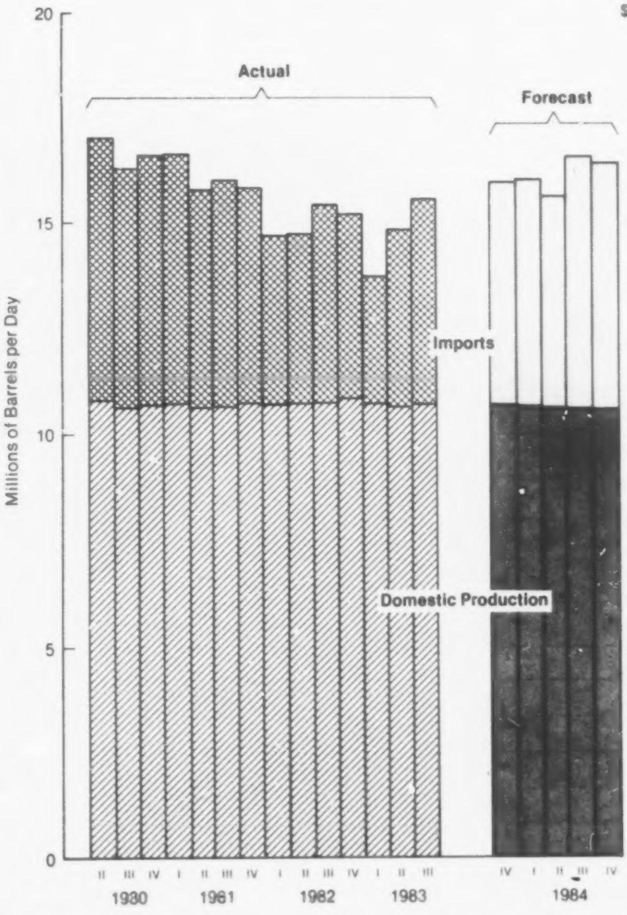
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

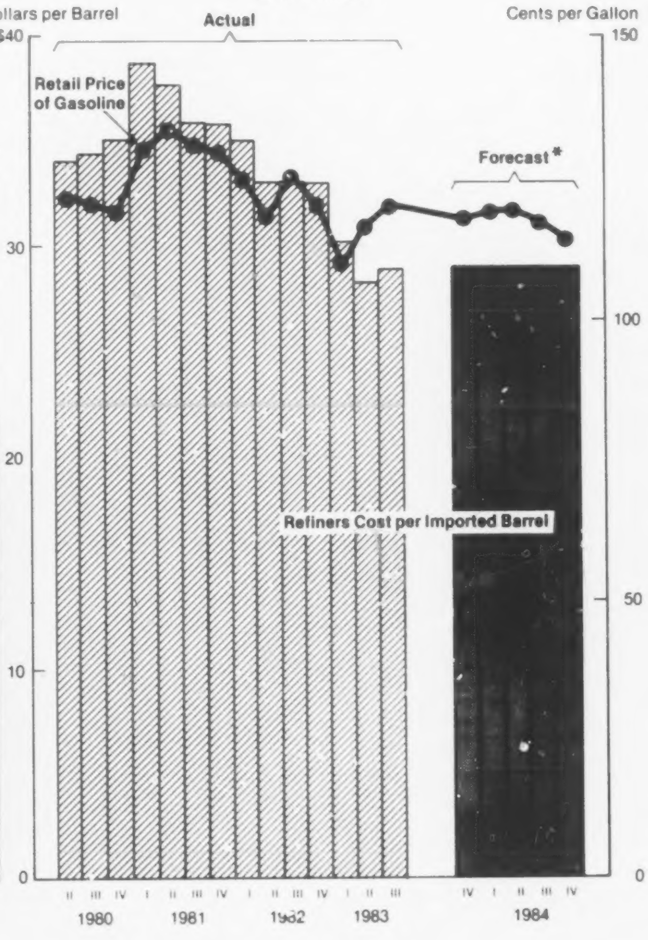
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



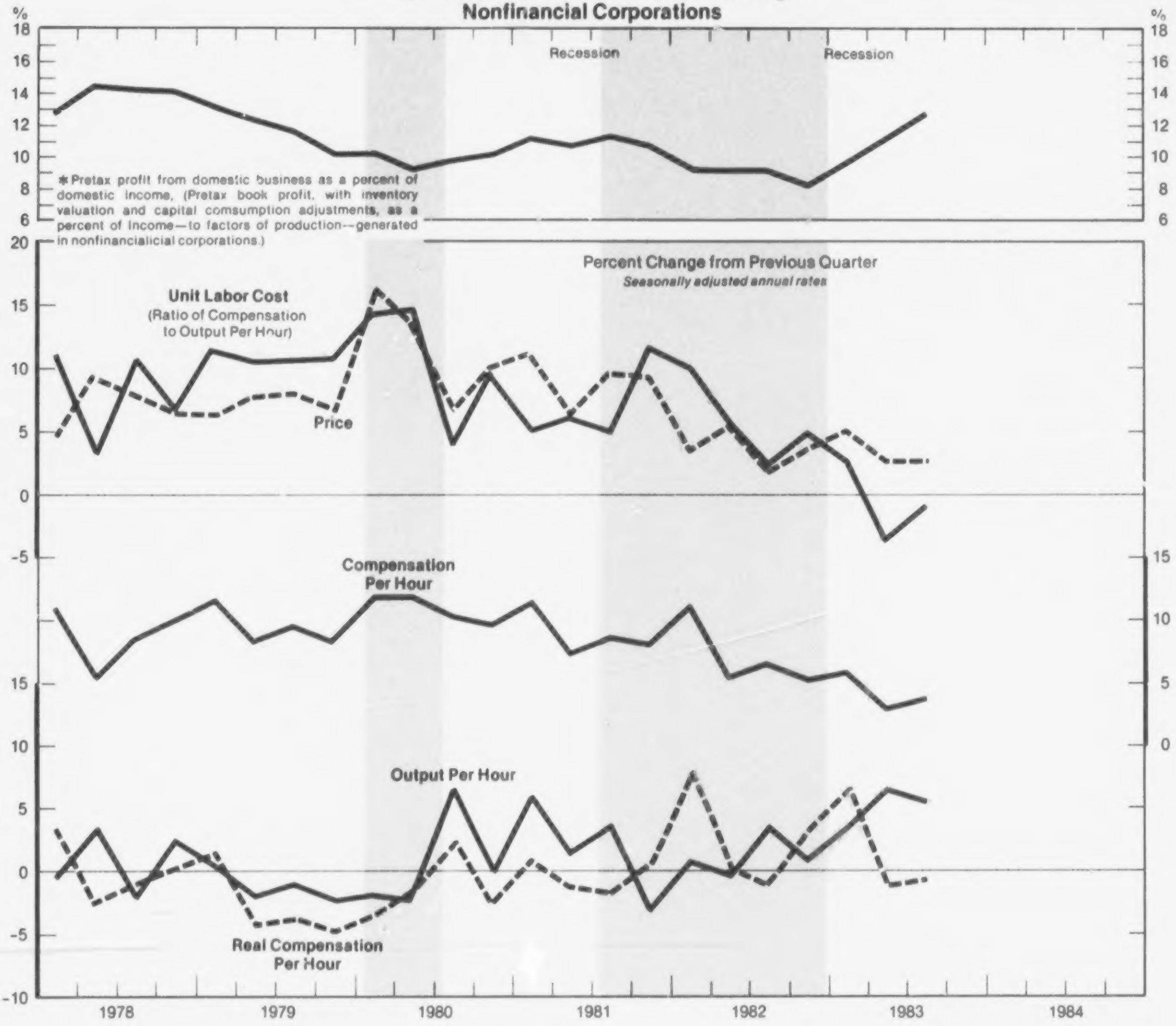
Oil Price



*Source of Forecast is The Energy Information Administration, Department of Energy

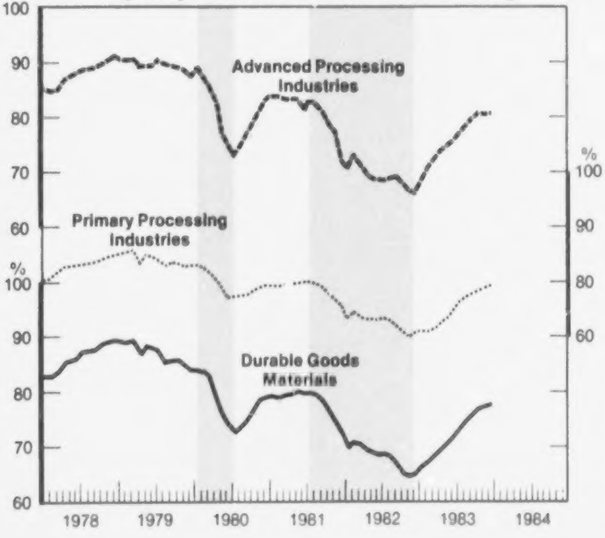
Key Determinants of Profit Margin

Nonfinancial Corporations

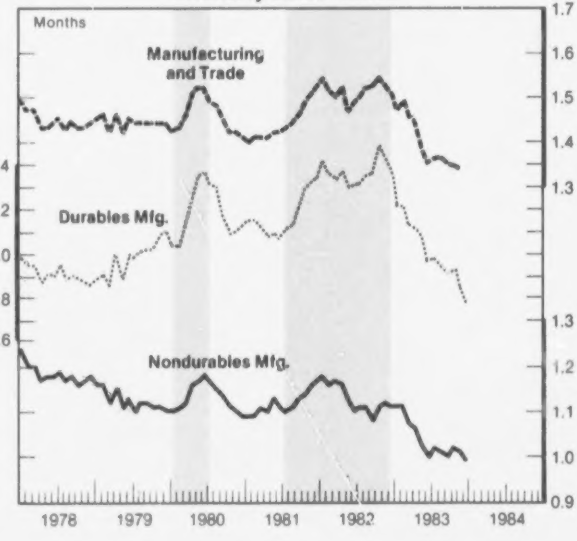


* Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of income—to factors of production--generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Jan., 1984*		*Dec., 1983*		*Jan., 1984*		*Jan., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**IV**	**$3432.0**	**8.6%**			**$3432.0**	**8.6%**	**$3432.0**	**8.3%**
	1984	I	3527.1	11.6	$3526.1	11.0%	3498.4	8.0	3527.0	11.5
		II	3604.3	9.0	3603.7	9.1	3570.2	8.5	3605.9	9.3
		III	3690.8	10.0	3702.6	11.4	3661.2	10.6	3680.3	8.5
		IV	3783.1	10.4	3802.3	11.2	3762.5	11.5	3767.4	9.8
	1985	I	3866.8	9.1	3895.1	10.1	3851.2	9.8	3839.7	7.9
		II	3951.5	9.1	3984.5	9.5	3933.9	8.9	3919.8	8.6
		III	4042.1	9.5	4028.0	4.4	4019.8	9.0	4009.2	9.4
		IV	4141.6	10.2	4085.7	5.9	4104.2	8.7	4106.2	10.0
	1983	**Annual**	**3309.4**	**7.7**			**3309.4**	**7.7**	**3309.4**	**7.7**
	1984	Annual	3651.3	10.3	3658.7	10.5	3623.1	9.5	3645.2	10.1
	1985	Annual	4000.5	9.6	3998.3	9.3	3977.3	9.8	3968.7	8.9
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**IV**	**$1570.5**	**4.5%**			**$1570.5**	**4.5%**	**$1570.5**	**4.5%**
	1984	I	1594.0	6.1	$1591.9	5.1%	1583.0	3.2	1590.7	5.2
		II	1611.9	4.6	1605.5	3.5	1601.0	4.6	1609.5	4.8
		III	1632.7	5.3	1627.1	5.5	1620.0	4.8	1624.4	3.8
		IV	1653.4	5.2	1648.2	5.3	1643.0	5.8	1639.4	3.7
	1985	I	1670.8	4.3	1662.9	3.6	1660.0	4.2	1650.0	2.6
		II	1686.1	3.7	1674.0	2.7	1674.0	3.4	1662.5	3.1
		III	1701.9	3.8	1667.0	-1.7	1689.0	3.6	1677.1	3.6
		IV	1717.9	3.8	1668.9	0.5	1703.0	3.4	1691.6	3.5
	1983	**Annual**	**1534.8**	**3.3**			**1534.8**	**3.3**	**1534.8**	**3.3**
	1984	Annual	1623.0	5.7	1618.2	5.4	1611.8	5.0	1616.0	5.3
	1985	Annual	1694.2	4.4	1668.2	3.1	1681.5	4.3	1670.3	3.4
Gross National Product deflator Index, 1972 = 100										
Actual	**1983**	**IV**	**218.5**	**3.9%**			**218.5**	**3.9%**	**218.5**	**3.9%**
	1984	I	221.3	5.1	221.5	5.6%	221.0	4.6	221.7	6.0
		II	223.6	4.3	224.5	5.4	223.0	3.7	224.0	4.2
		III	226.1	4.5	227.6	5.6	226.0	5.5	226.6	4.6
		IV	228.8	5.0	230.7	5.6	229.0	5.4	229.8	5.8
	1985	I	231.4	4.7	234.2	6.3	232.0	5.3	232.7	5.2
		II	234.4	5.1	238.0	6.6	235.0	5.3	235.8	5.4
		III	237.5	5.5	241.6	6.2	238.0	5.2	239.1	5.7
		IV	241.1	6.2	244.8	5.4	241.0	5.1	242.7	6.3
	1983	**Annual**	**215.6**	**4.2**			**215.6**	**4.2**	**215.6**	**4.2**
	1984	Annual	224.9	4.3	226.1	4.9	224.7	4.2	225.5	4.6
	1985	Annual	236.1	5.0	239.7	6.0	236.5	5.2	237.6	5.3
Unemployment Rate										
Actual	**1983**	**IV**	**8.5%**		**8.5%**		**8.5%**		**8.5%**	
	1984	I	8.1		8.2		8.3		8.0	
		II	7.9		8.1		8.1		7.7	
		III	7.6		7.8		8.0		7.6	
		IV	7.4		7.6		7.8		7.4	
	1985	I	7.2		7.4		7.6		7.1	
		II	7.1		7.4		7.4		7.0	
		III	7.0		7.8		7.3		6.9	
		IV	6.9		8.1		6.9		6.8	
	1983	**Annual**	**9.6**		**9.6**		**9.6**		**9.6**	
	1984	Annual	7.7		7.9		8.1		7.7	
	1985	Annual	7.0		7.7		7.3		7.0	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (1st revision) third quarter data.

[2] Based on revised (2nd revision) third quarter data.

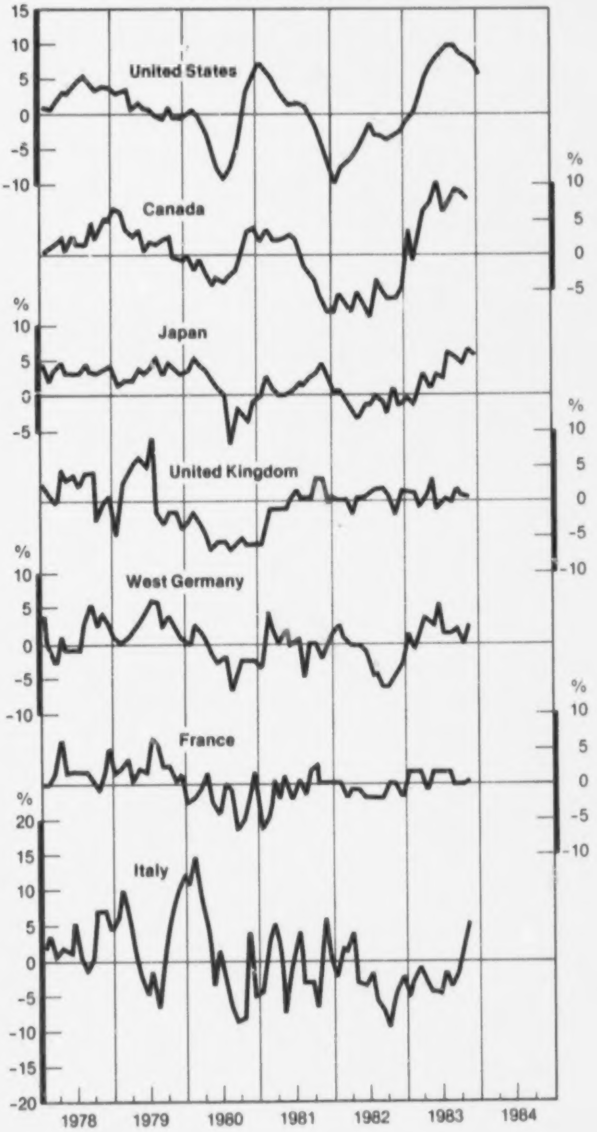
ECONOMIC FORECASTS (continued)

The Conference Board[2]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Jan., 1984		*Jan., 1984*		*Jan., 1984*		*Jan., 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3432.0	**8.6%**	**$3432.0**	**8.6%**	**$3432.0**	**8.6%**	**$3432.0**	**8.6%**	**IV**	**1983**	**Actual**
3521.0	10.8	3514.4	10.0	3522.9	11.0	3520.6	10.7	I	1984	
3609.0	10.4	3594.3	9.4	3592.4	8.1	3607.9	10.3	II		
3673.0	7.3	3677.7	9.6	3669.3	8.8	3694.4	9.9	III		
3745.0	8.1	3761.9	9.5	3749.7	9.1	3779.7	9.6	IV		
3817.0	7.9	3851.0	9.8	3815.7	7.2	3858.0	8.5	I	1985	
3867.0	5.3	3924.7	7.9	3881.7	7.1	3943.5	9.2	II		
3952.0	9.1	3994.5	7.3	3952.2	7.5	4024.8	8.5	III		
4070.0	12.5	4073.1	8.1	4030.4	8.2	4098.3	7.5	IV		
		4163.3	9.2	4106.5	7.8	4162.7	6.4	I	1986	
3309.4	**7.7**	**3309.4**	**7.7**	**3309.4**	**7.7**	**3309.4**	**7.7**	**Annual**	**1983**	
3637.0	9.9	3637.1	9.9	3633.6	9.8	3650.7	10.3	Annual	1984	
3926.5	8.0	3960.8	8.9	3920.0	7.9	3981.2	9.1	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1570.5	**4.5%**	**$1570.5**	**4.5%**	**$1570.5**	**4.5%**	**$1570.5**	**4.5%**	**IV**	**1983**	**Actual**
1594.3	6.2	1588.9	4.8	1592.1	5.6	1591.2	5.4	I	1984	
1614.2	5.1	1605.7	4.3	1607.3	3.9	1610.7	5.0	II		
1622.2	2.0	1622.3	4.2	1624.5	4.3	1628.9	4.6	III		
1633.0	2.7	1633.7	2.8	1640.7	4.0	1644.4	3.9	IV		
1643.2	2.5	1645.6	2.9	1652.2	2.8	1658.0	3.3	I	1985	
1643.2	0.0	1652.8	1.8	1661.8	2.3	1672.6	3.6	II		
1655.5	3.0	1661.5	2.1	1672.6	2.6	1684.4	2.9	III		
1678.7	5.7	1671.4	2.4	1683.9	2.7	1690.3	1.4	IV		
		1681.9	2.5	1694.5	2.5	1694.3	.9	I	1986	
1534.8	**3.3**	**1534.8**	**3.3**	**1534.8**	**3.3**	**1534.8**	**3.3**	**Annual**	**1983**	
1615.9	5.3	1612.6	5.1	1616.1	5.3	1618.8	5.5	Annual	1984	
1655.2	2.4	1657.8	2.8	1667.6	3.2	1676.3	3.6	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
218.5	**3.9%**	**218.5**	**3.9%**	**218.5**	**3.9%**	**218.5**	**3.9%**	**IV**	**1983**	**Actual**
220.8	4.3	221.2	4.9	221.3	5.1	221.3	5.1	I	1984	
223.6	5.0	223.8	4.9	223.5	4.1	224.0	5.0	II		
226.4	5.2	226.7	5.2	225.9	4.3	226.8	5.1	III		
229.3	5.2	230.3	6.5	228.5	4.8	229.9	5.5	IV		
232.3	5.3	234.0	6.7	230.9	4.3	232.7	5.0	I	1985	
235.3	5.3	237.5	6.0	233.6	4.6	235.8	5.4	II		
238.7	5.9	240.4	5.1	236.3	4.7	238.9	5.5	III		
242.4	6.4	243.7	5.6	239.3	5.3	242.5	6.0	IV		
		247.5	6.5	242.3	5.1	245.7	5.4	I	1986	
215.6	**4.2**	**215.6**	**4.2**	**215.6**	**4.2**	**215.6**	**4.2**	**Annual**	**1983**	
225.0	4.4	225.5	4.6	224.8	4.3	225.5	4.8	Annual	1984	
237.2	5.4	238.9	5.9	235.0	4.6	237.5	5.3	Annual	1985	
								Unemployment Rate		
8.5%		**8.5%**		**8.5%**		**8.5%**		**IV**	**1983**	**Actual**
7.8		7.9		8.1		8.0		I	1984	
7.6		7.6		7.9		7.9		II		
7.5		7.5		7.8		7.8		III		
7.5		7.6		7.6		7.6		IV		
7.6		7.6		7.5		7.5		I	1985	
7.9		7.8		7.5		7.4		II		
7.8		7.9		7.6		7.3		III		
7.5		8.1		7.6		7.2		IV		
		8.1		7.6		7.4		I	1986	
9.6		**9.6**		**9.6**		**9.6**		**Annual**	**1983**	
7.6		7.7		7.8		7.8		Annual	1984	
7.7		7.9		7.5		7.4		Annual	1985	

SELECTED INTERNATIONAL COMPARISONS

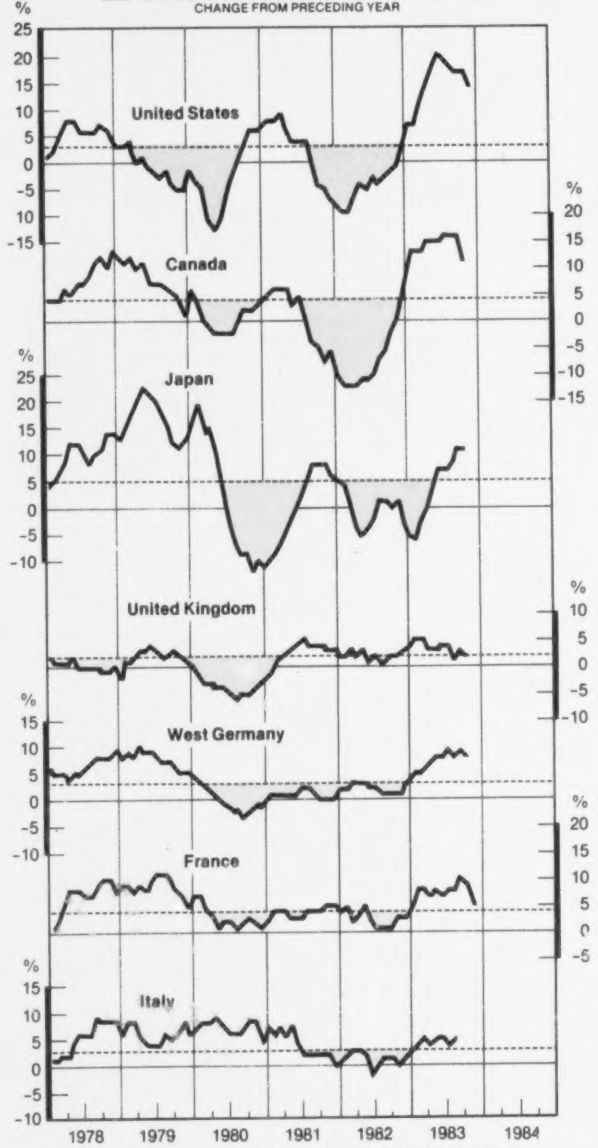
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



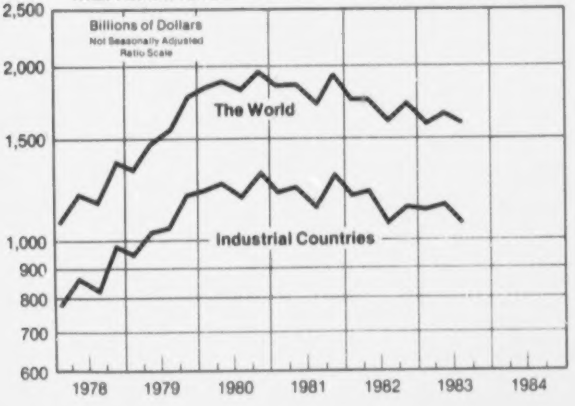
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

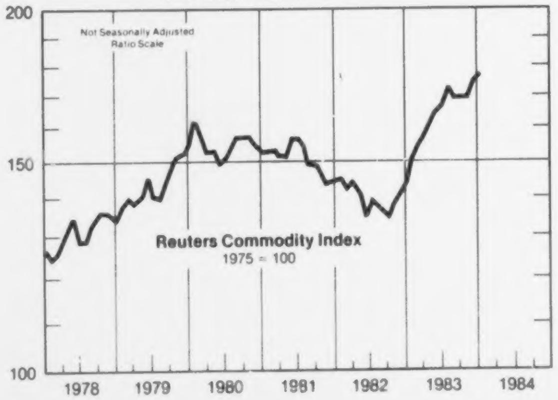


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

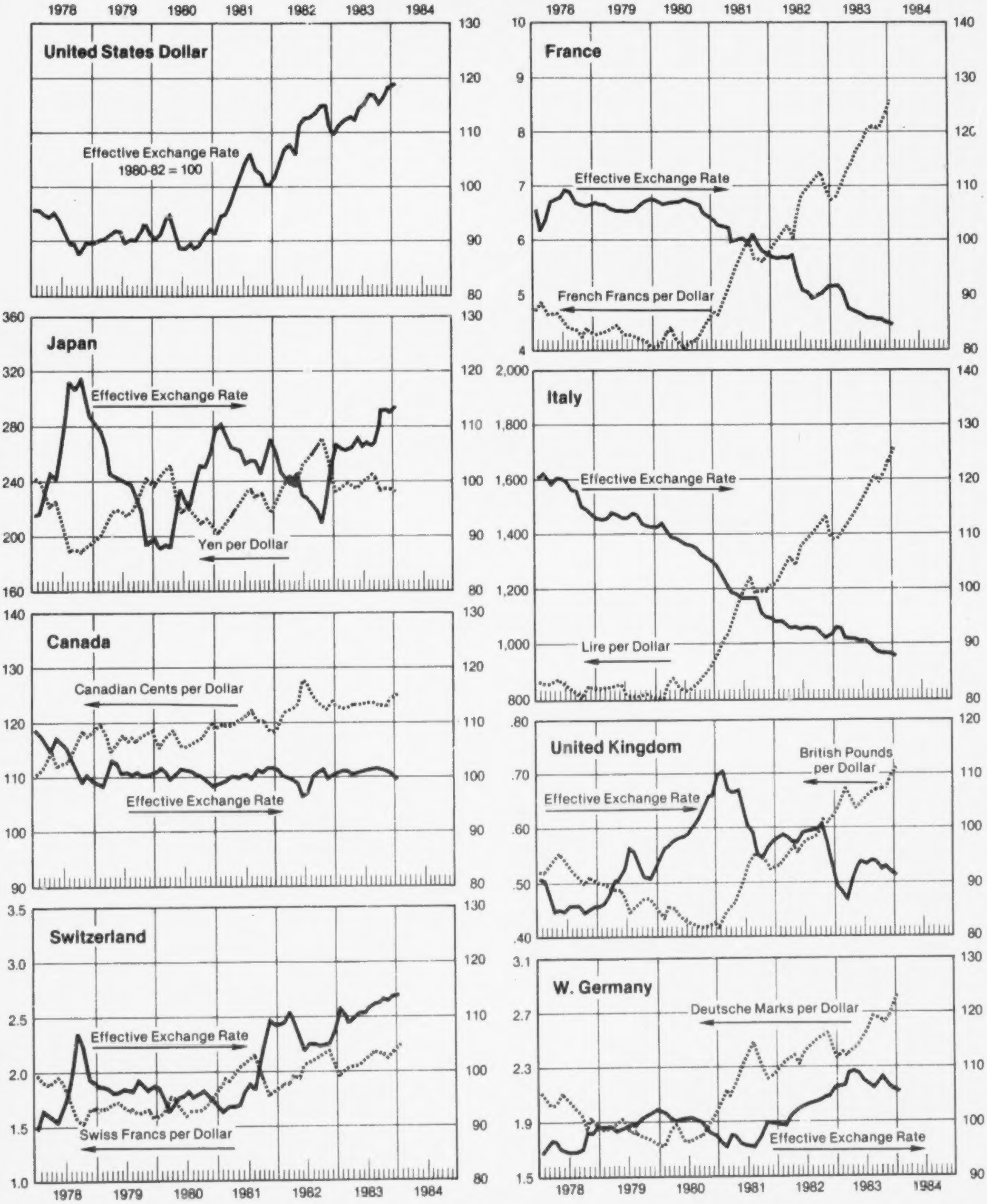


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



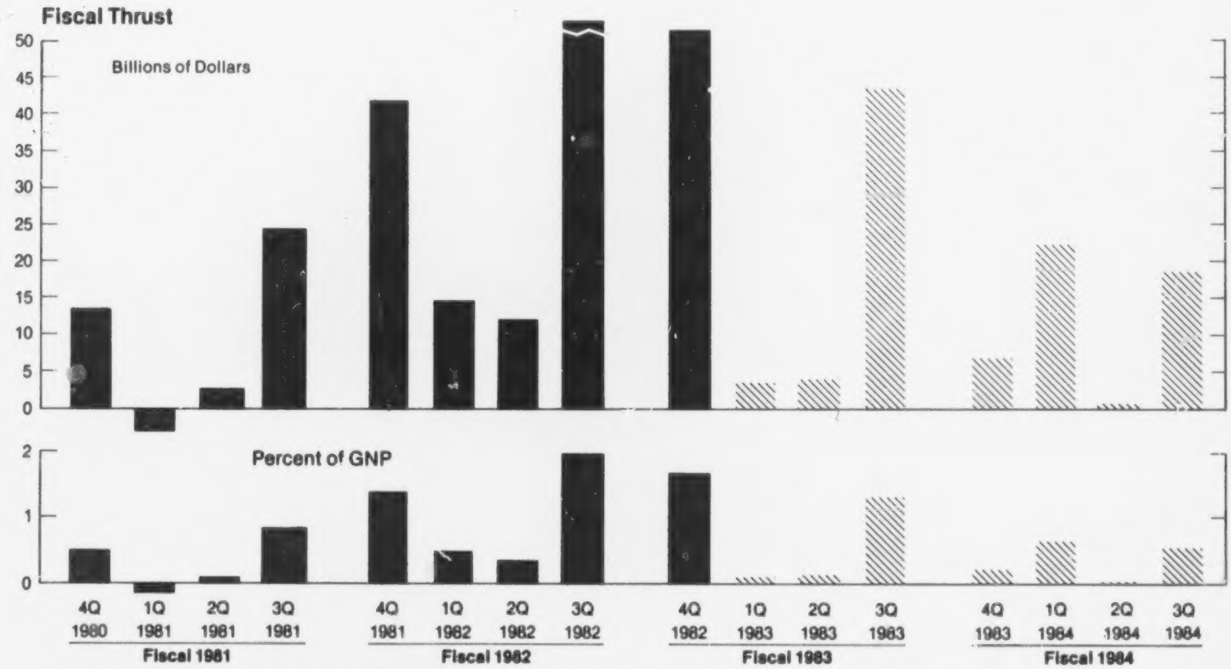
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

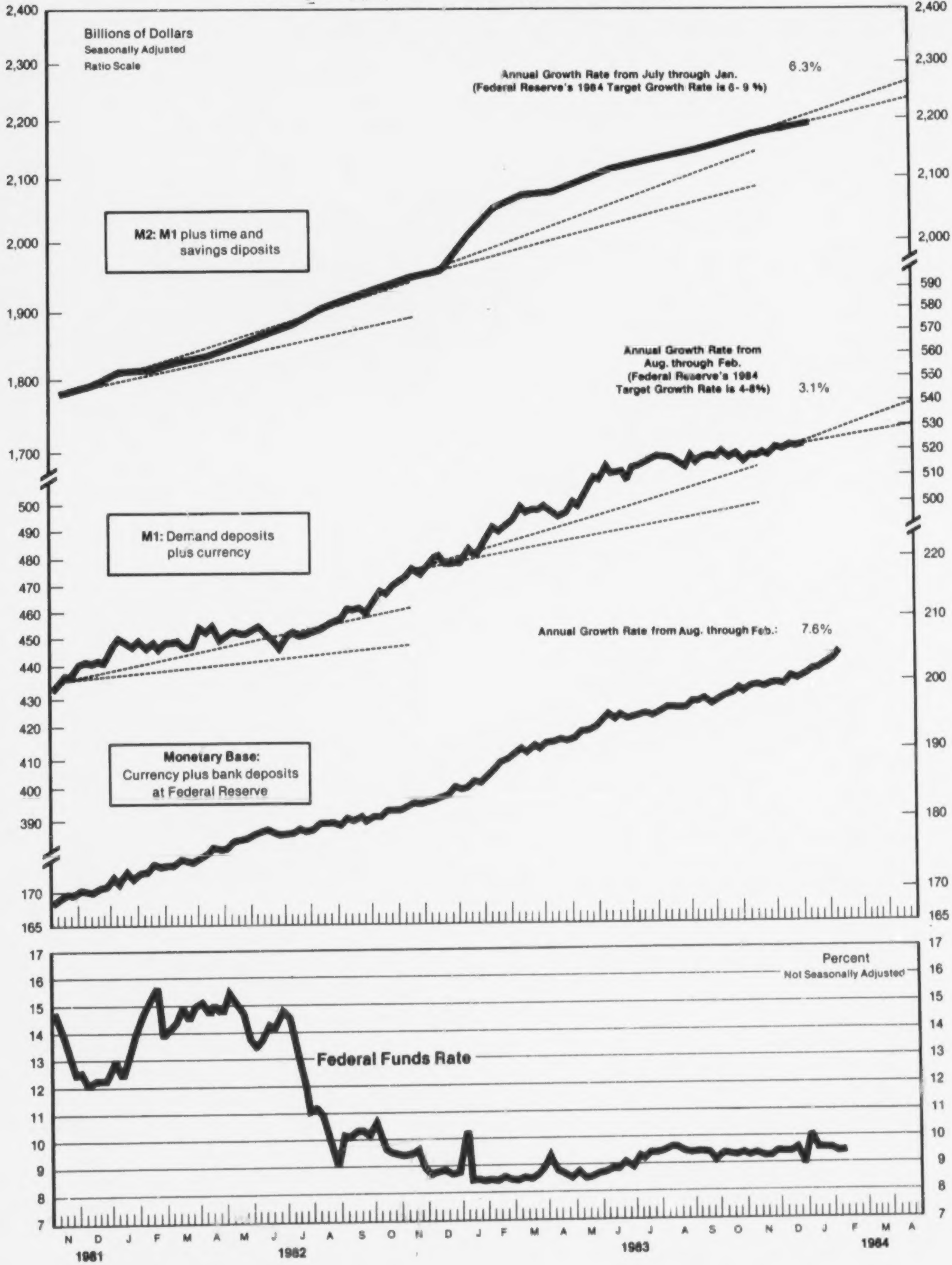
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(2/1/84)	(6/20/83)	(2/1/84)	(2/1/84)	
Receipts	**600.6**	**670.1**	**679.6**	**737.3**	**745.1**	
Outlays	**796.0**	**853.8**	**849.5**	**944.9**	**925.5**	
Deficit	**-195.0**	**-183.7**	**-169.9**	**-207.7**	**-180.4**	
Receipts by source	**600.6**	**670.1**	**679.6**	**737.3**	**745.1**	
Individual income taxes	288.9	293.3		323.4	328.4	
Corporate income taxes	37.0	66.6		75.5	76.5	
Social insurance	209.0	239.5	242.3	269.0	270.7	
Other receipts	65.7	70.7		69.4	69.5	
Outlays by function	**796.0**	**853.8**	**849.5**	**944.9**	**925.5**	
Income security	122.2	112.5	278.8	116.9	114.4	
National defense	209.9	237.5	240.0	284.2	272.0	
Health	28.7	30.7	92.6	34.4	32.9	
Education and manpower	26.0	28.7	28.4	29.0	27.9	
Transportation	21.4	26.1	26.0	27.4	27.1	
Veterans' benefits	24.8	25.8	25.5	26.6	26.7	
International affairs	9.0	13.5	13.0	14.1	17.5	
National resources and environment	12.7	12.3	12.5	11.8	11.3	
Agriculture	22.2	10.7	11.5	14.3	14.3	
General science	7.7	8.3	8.3	8.4	8.8	
Community development	6.9	7.6	8.1	7.7	7.6	
Revenue sharing	6.5	6.7	7.2	6.8	6.7	
General government	4.8	5.7	5.6	5.7	5.7	
Justice	5.1	6.0	5.9	6.2	6.1	
Energy	4.0	3.5	4.3	3.4	3.1	
Commerce and housing credit	4.4	3,8	2.3	1.6	1.1	
Interest	89.8	108.2	97.1	117.9	116.1	
Allowances			0.8	1.5	0.9	
Undistributed offsetting receipts	-34.0	-34.0	-18.1	-34.6	-35.3	

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1980

Money Supply and Monetary Growth Targets



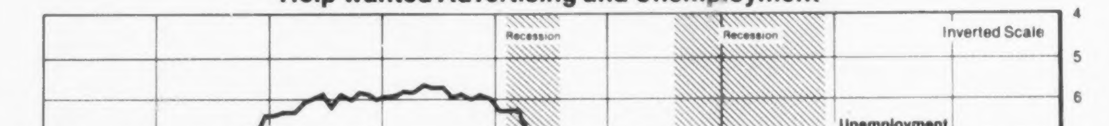
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983 Dec.	1983 Nov.	1983 Oct.	1982 Dec.
Total index 51 papers	121	114	111	83
New England	130	121	120	86
Boston	144	136	136	93
Hartford	119	112	112	94
Providence	92	75	74	58r
Middle Atlantic	58	53	53	45
Albany	111	100	94	76
Allentown	119	116	126	94
New York	52	49	48	41
Philadelphia	52	48	49	40
Pittsburgh	53	44	47	49
Rochester	65	58	54	53
Syracuse	90	80	75	66
East North Central	73	65	63	47
Chicago	89	80	80	45
Cincinnati	88	77	76	66
Cleveland	51	44	42	39
Columbus	95	85	81	70
Dayton	53	50	47	45
Detroit	53	42	40	34
Gary	110	100r	91	106r
Indianapolis	69	73	62	47
Milwaukee	51	47	41	37
Toledo	85	76	69	64
West North Central	70	63	67	45
Kansas City	99	82	102	68
Minneapolis	63	57	57	33
Omaha	103	95	99	75
St. Louis	50	49	47	33
South Atlantic	137	130	125	94
Atlanta	248	229	224	148
Baltimore	76	100	71	71
Charlotte	123	107	108	75
Jacksonville	176	162	148	142
Miami	99	79	85	60
Richmond	77	68	67	56
Washington, D.C.	144	127	131	94
East South Central	114	103	103	82
Birmingham	121	109	102	91
Knoxville	182	158	158	132
Louisville	63	55	57	46
Memphis	97	95	84	71
Nashville	149	132	146	102
West South Central	280	262	264	205
Dallas	395	373	378	255
Houston	363	344	344	272
New Orleans	128	107	120	112
Oklahoma City	157	141	129	143
San Antonio	159	161	173	121
Tulsa	153	129	118	118
Mountain	288	276	242	161
Denver	199	197	171	133
Phoenix	395	384	343	185
Salt Lake City	309	276	240	181
Pacific	170	170	164	118
Los Angeles	132	130	128	89
Sacramento	294	274	261	212
San Bernardino	123	138	136	96
San Diego	333	334	323	223
San Francisco	181	193	176	114
Seattle	179	171	170	139r
Percentage of papers with rising volume	88%	63%	92%	86%
Unemployment rate	8.2%	8.4%	8.8%	10.7%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

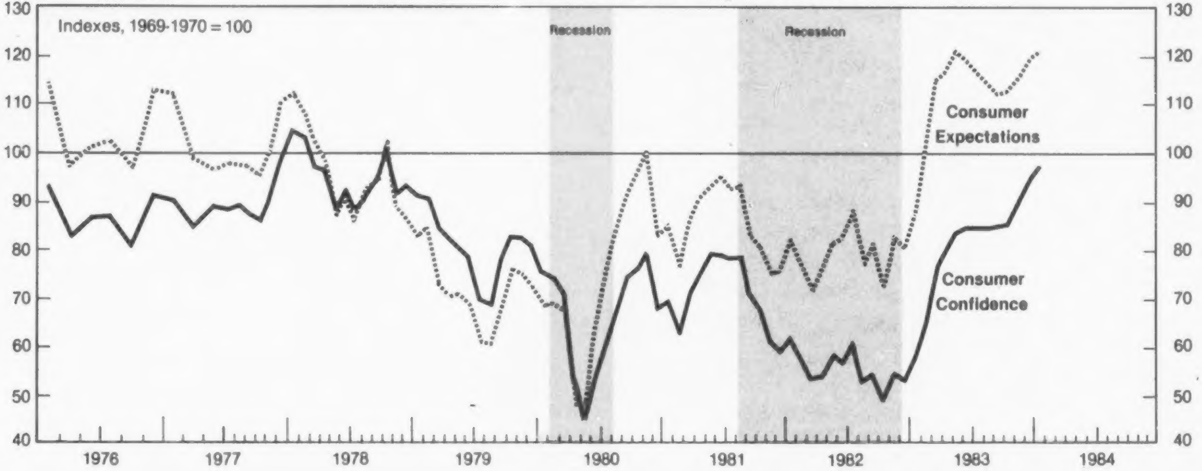
Indexes, 1969-1970 = 100
(Seasonally Adjusted)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1r
1984	97.8											
Buying Plans Index												
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5r
1984	98.6											

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

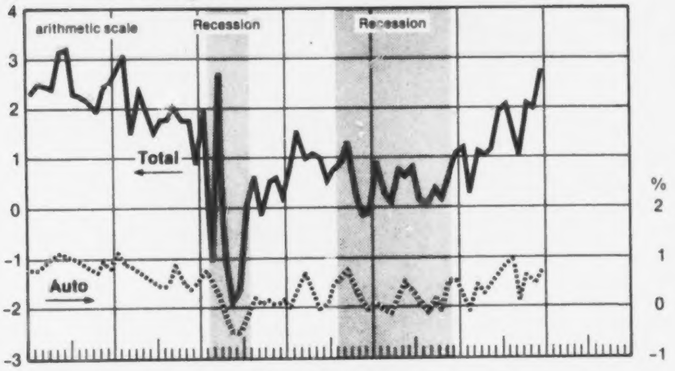
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate	Discretionary			Ratios			
		Purchasing Power (APP)	Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

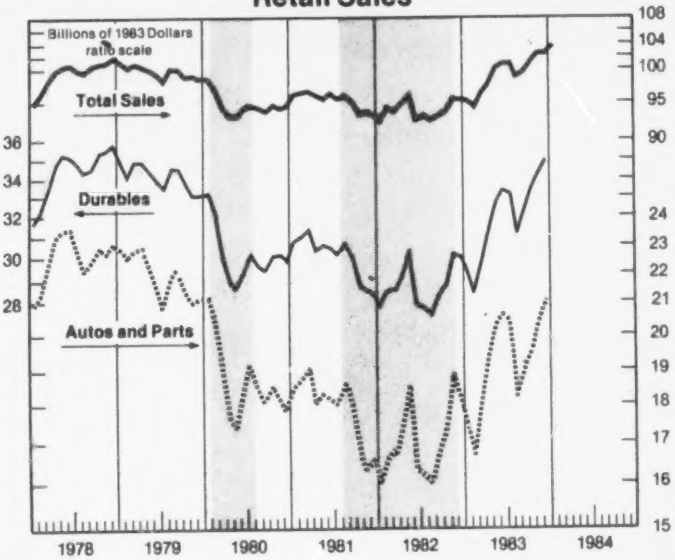
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



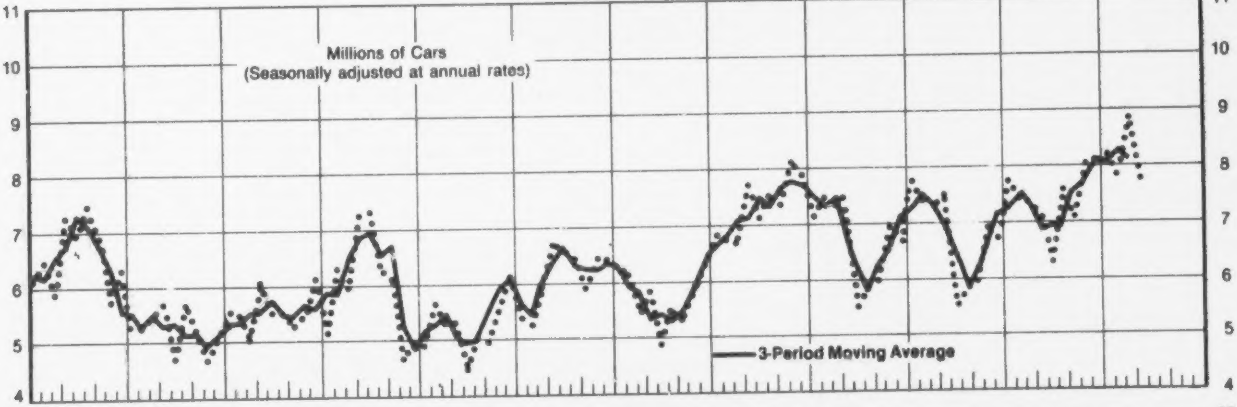
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

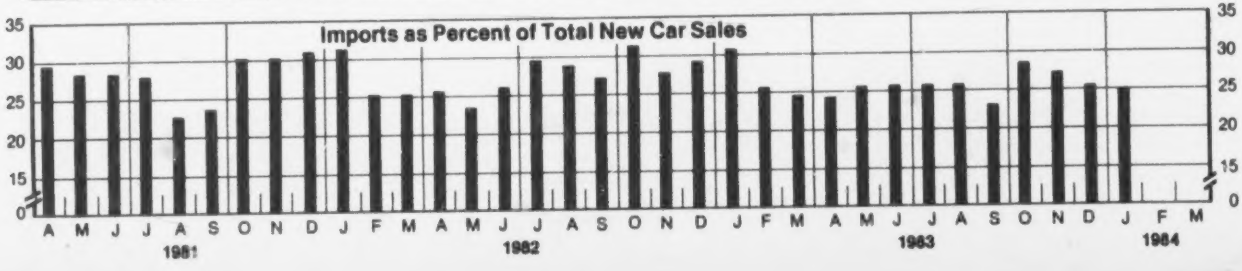
Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	
	11-20	5.56	5.51	4.85	
	21-28(29)	7.76	5.58	5.59	
March:	1-10	7.66	5.25	5.39	
	11-20	9.66	5.45	5.85	
	21-31	5.05	6.19	6.21	
April:	1-10	6.24	5.16	6.82	
	11-20	6.00	6.36	6.76	
	21-30	6.40	5.94	6.71	
May:	1-10	6.13	7.30	7.72	
	11-20	6.52	7.34	7.07	
	21-31	5.94	6.25	7.55	
June:	1-10	6.09	6.10	7.34	
	11-20	5.99	4.68	8.12	
	21-30	6.06	4.94	7.88	
July:	1-10	6.09	4.92	7.16	
	11-20	6.47	5.61	7.42	
	21-31	5.89	5.30	7.37	
August:	1-10	7.31	5.35	7.51	
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





Imports as Percent of Total New Car Sales

4/13/84 R4105- 3A

STATISTICAL BULLETIN

Volume 17, No. 3, March, 1984

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The Conference Board

COMMENT

Business activity was improving quite evenly in January and February; on the surface, it appears that the ongoing expansion is maintaining its strength. Alas, surface appearances can be deceiving. Like the calm waters one encounters just before heading into white-waters rapids, the calm, smooth surface of expansion may be preceding more choppy seas just ahead. The signs of turbulence are not very strong or numerous, but they are there on both sides of the ledger. On the demand side, there are some indications of a slowing in consumer demand. On the supply side, there are some hints that business may be running into problems in keeping production schedules up while keeping production costs down. Having performed their ritual interpretation of the shadows just around the corner, the general view of the *Economic Forecasts* is that real output growth may begin to slow a bit, prices may begin to rise a little faster, and interest rates are likely to go nowhere but up. Buckle up. The sailing could get somewhat bumpy as the economy heads into Spring.

Flushed with some substantial gains in real spending power and very positive attitudes with regard to continued economic expansion, consumers have been quickening demand. The Conference Board's *Consumer Confidence Index* stood at 98.4 (1969-1970 = 100) in January, a five-year high. Personal income, adjusted for inflation, was 2% higher in January than it was three months earlier, but real retail sales rose 4% in this same period. Obviously, consumers resorted to financing for some of the purchases. Households reacted favorably to recent economic reports and generally felt that prospects were for more of the same over the next six months. Therefore, they were willing to spend, even buying on credit. The ratio of *Consumer Installment Debt Expansion to Personal Income* began to rise sharply in October and remained elevated through January.

Car buying accounts for some of this rise in consumer demand. New, domestic *Automobile Sales* were running at about an annualized 6 to 7 million unit rate last Fall (seasonally adjusted). The average selling rate moved up to 7.9 million cars in December and to 8.3 million in January. Further, the foreign share of total new car sales, which had been as high as 30% a year ago, fell back to 25% by January. These numbers suggest a healthier car-buying market than at any time since 1978.

The data on total consumer demand in February are shaded just a bit darker than the almost uniformly rosy picture in January. The advance in real retail sales had been outpacing the rise in spending power and, hence, it is not too disturbing that buying fell a little in February. Domestic *Automobile Sales* dropped back down to a 7.7 million rate in February. At worst, these numbers may merely reflect the beginning of the long-expected easing in the rapid buildup of consumer demand. Households had forgone a lot of buying during the recessions, but some of the resulting pent-up demand has now been satisfied, and consumer buying may begin to rise more in line with the increase in spending power. If real personal income grows something like 3½% in 1984, consumer spending might rise by something like 4½ percent.

Consumer attitudes were a little less ebullient in February. The *Consumer Confidence Index* fell from 98.4 in January to 95.4 in February. The appraisal of current conditions actually improved a bit but appraisals of business conditions, employment and income six months down the road all declined. Thus, even though buying intentions held firm, consumers are beginning to feel just a little uneasy about how long and how strong the current expansion may be.

Although output is still rising, there are some signs that additional increases in production are going to entail some increase in production costs. Industrial production expanded by more than 1% in February, as it had done in 10 of the preceding 13 months. But purchasing agents are reporting slower deliveries. Both employment and capacity utilization have been recovering at a very brisk pace. The relatively inexpensive increases in production that normally occur early in an expansion phase of the business cycle have been largely achieved. In fact, labor productivity rose by less than 1%, at an annual rate, in the fourth quarter of 1983 (see the *Key Determinants of Profit Margins* chart) and probably not much faster than that in the first quarter of 1984. The important consideration here is that a little faster rise in wage compensation and a little slower productivity gain imply somewhat quicker increases in unit labor cost, which will put upward pressure on prices.

A modest quickening in the pace of price increases is rather typical behavior in expansions. In fact, if anything, this expansion has been remarkable in how slowly prices

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

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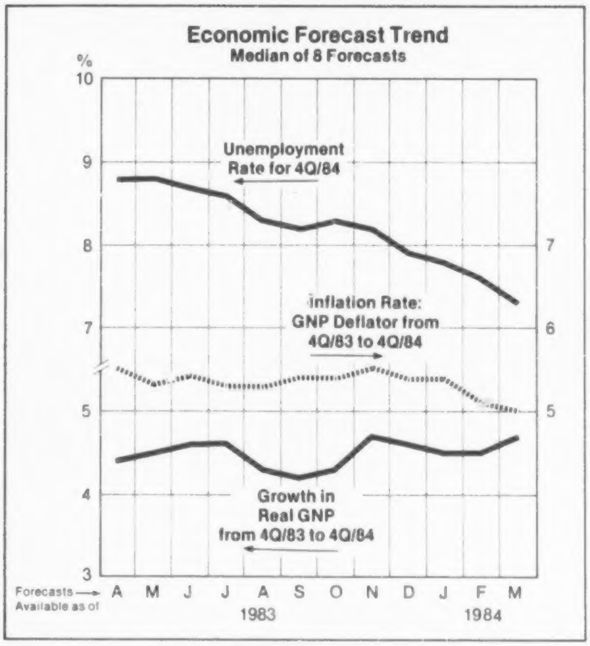


have risen. This expansion has also been remarkable in how high interest rates have remained. Those high rates threaten to limit the further recovery in business investment this year. But, if price increases begin to loom a little larger, monetary authorities will be hard pressed to allow much easing of policy. Actually, the Federal Reserve may once again be in a no-win situation in which interest rates threaten to move higher if money supply growth either speeds up *or* slows down. Faster money growth may fuel inflation expectations and thus heighten the inflation premium in rates. Slower growth, on the other hand, may prove insufficient to fund business and government credit demand. The competition for funds could send interest rates higher.

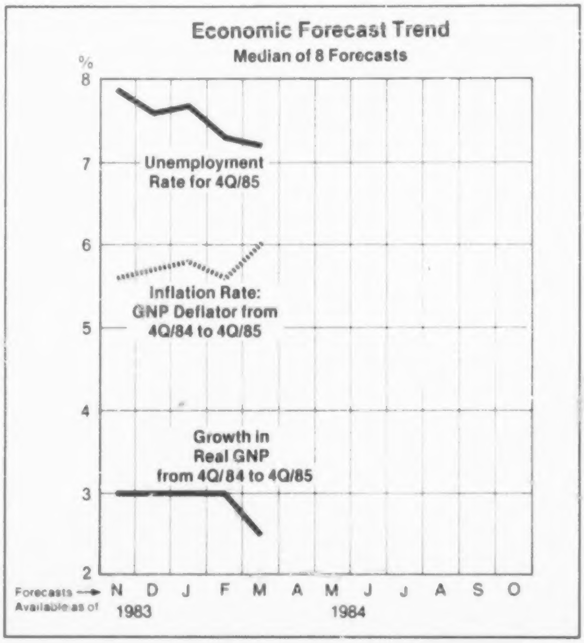
The most intriguing numbers this past month have to do with business intentions to invest. The Conference Board's *Capital Appropriations and Expenditures* survey shows that the nation's 1,000 largest manufacturers still expect to be able to boost investment substantially, despite the high cost of borrowed money. Capital spending was up in the fourth quarter of 1983 but capital appropriations rose faster. Thus, for the third consecutive quarter, the backlog of approved but as yet unspent projects rose substantially. The survey respondents said that they expect to step up investment in new plant and equipment this year by a sizable 23 percent.

The Commerce Department's survey indicated that business in general intends to increase investment by a smaller but still significant 16 percent. Operating rates are already in the 80% range, and the need to expand production capacity is probably outweighing the cost of borrowing money in the minds of some business executives. Intentions are not the same as actions. Nevertheless, these numbers clearly suggest that while high interest rates will hurt investment, capital spending on plant and equipment will continue to recover and thereby keep the expansion going—albeit at a some-what slower pace.

The *Economic Forecasts* indicate that business activity will slow down this Spring, and that it could diminish even further later this year or early next, but that no recession is in sight. The median of the *Economic Forecasts* is for a seasonally adjusted 4½% gain, at an annual rate, in real GNP in the second quarter of 1984. The pace is expected to decline to 3.9% by the fourth quarter of 1984, and to only 2.4% by the third quarter of next year. Further, growth could slow to a rather sluggish 2% pace by the first quarter of 1986 (last quarter in forecast horizon). Obviously, these real growth prospects suggest that the expansion could become too sluggish to allow continued improvement on unemployment by the end of this year. The *Economic Forecasts* indicate that the unemployment rate, at 7.8% in February, may not be any lower than 7.3% by the end of the year, and could remain at that level through most of 1985.

The forecasters remain convinced that inflation is not going to come roaring back. The median forecast for the GNP deflator suggests that inflation may move up to 6% in the forecast horizon, but not beyond. In fact, even the most pessimistic forecast calls for not more than 6½% inflation. Worries about rekindled inflation have been roiling financial markets, but no flashing danger lights have begun to light up on the forecasters' computers.

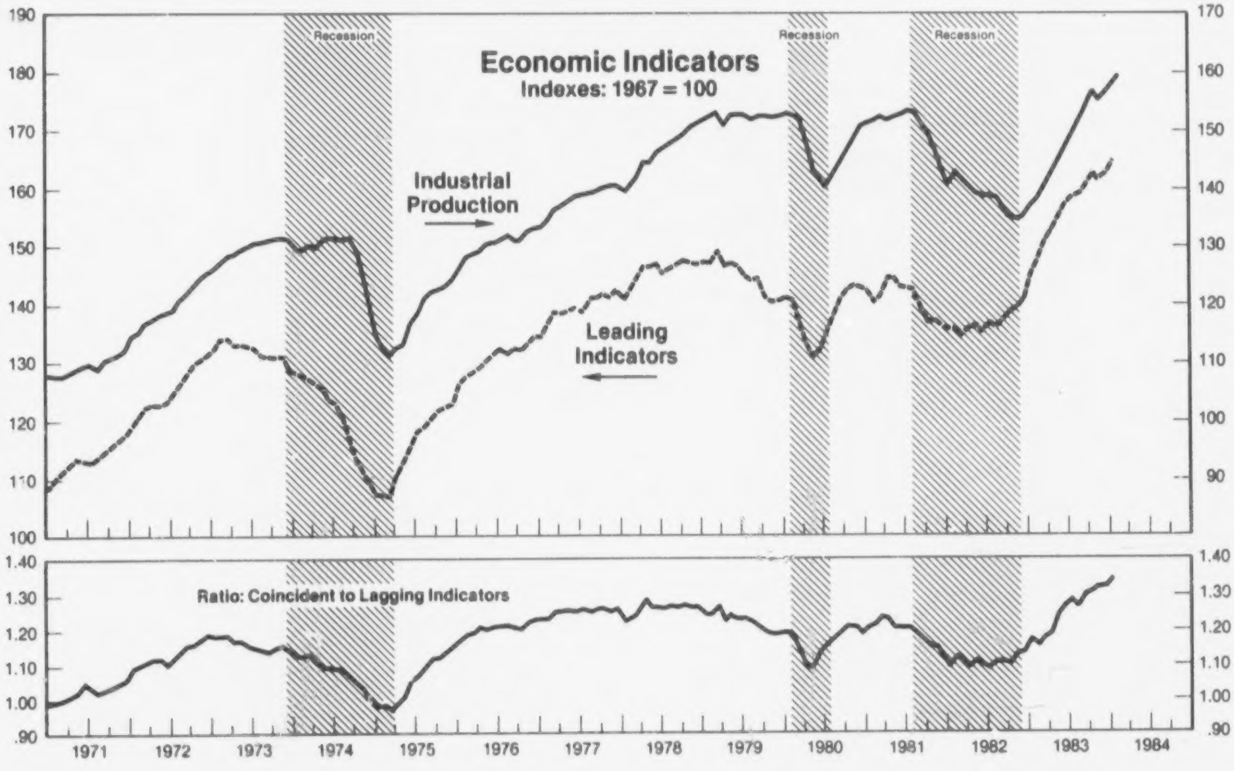
Ken Goldstein
March 14, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jan.	X			+ 1.2%	+ 13.4%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan.			X	— 5.5%	+ 22.5%
New orders, nondefense capital goods (deflated)	Jan.			X	— 4.9%	+ 21.2%
*New business formation	Jan.			X	— 3.2%	+ 2.5%
*Housing permits	Jan.	X			+ 11.5%	+ 25.6%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan.	X			+ 8.6%	+ 22.8%
*Change in inventory, on hand & order (deflated)	Dec.			X	— 0.9%	+ 37.9%
Purchasing agents' buying policy	Feb.	X			+ 6 %	+ 12 %
*Vendor performance, reported slower deliveries	Feb.	X			+ 9 %	+ 26 %
Industrial raw materials prices	Feb.		X		+ 1.1%	+ 17.3%
*Change in sensitive material prices	Jan.			X	— 0.2%	+ 0.8%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jan.		X		+ 0.6%	+ 5.0%
Change in business loans	Jan.	X			+ 15.8%	— 17.6%
*Change in credit outstanding	Dec.	X			+ 12.9%	+ 22.2%
Change in consumer installment debt	Dec.	X			+ 50.9%	+ 50.3%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			+ 13.0%	+ 22.3%
*Common stock prices	Feb.			X	— 4.8%	+ 7.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Feb.	X			+ 0.4hr	+ 1.8hr
*Initial unemployment claims (inverted)	Feb.	X			+ 10.8%	+ 28.9%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



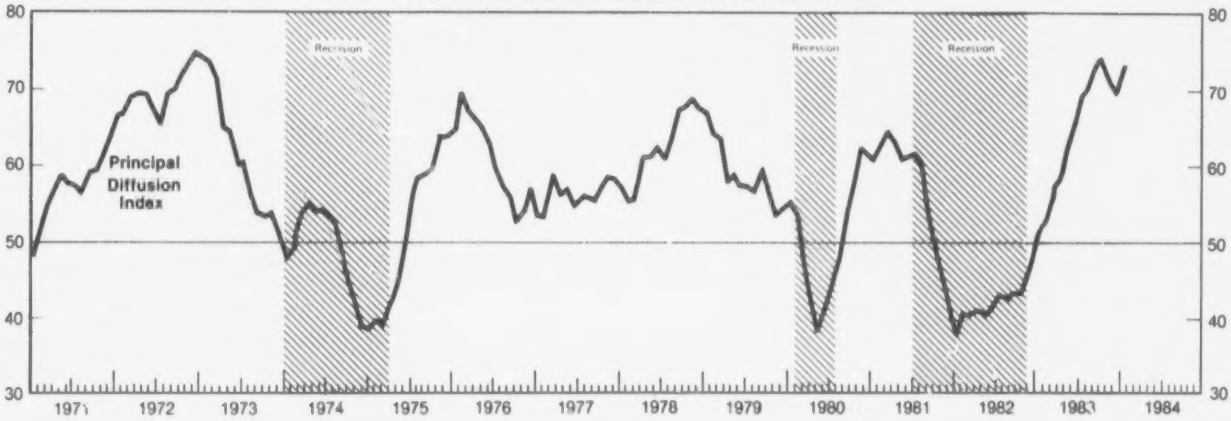
CONFERENCE BOARD DIFFUSION INDEXES

	1983				1984
DIFFUSION INDEXES	Jan.	Oct.	Nov.	Dec.	Jan.(e)
Principal Diffusion Index	49.4	73.9r	71.1r	69.5r	73.3
Auxillary Diffusion Index	64.3	52.3r	41.0r	44.7r	62.3
Industrial Group	43.2	79.6r	75.1r	74.4r	78.1
Nonindustrial Group	55.6	68.2	67.2	64.6r	68.5
Sense of Diffusion	0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	37.2	87.6r	75.9r	69.2r	72.9
Labor	41.5	75.8	75.4	76.4r	80.1
Miscellaneous	56.4	76.9	73.1	76.9	80.8
Nonindustrial Subgroups					
Prices	51.3	74.4	70.5	66.7	70.5
Consumer	71.8	73.9	72.6	76.9	76.1
Building	49.4	58.3	65.4	56.4	62.8
Miscellaneous	46.4	65.0	60.7	56.4r	63.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981			*1982*				*1983*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)										
Measure of Business Confidence	61	57	43	47	52	55	60	70	76	75	74
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	57	48	26	23	30	38	44	65	76	82	80
2. Expectations for Economy, Six Months Ahead....................	64	63	51	59	64	65	70	76	78	74	73
3. Expectations for Own Industry, Six Months Ahead	61	60	52	58	61	61	65	70	72	69	70

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1982			1983				Percent Change From Previous Year		
	II	III	IV	I	II	IIIr	IVp	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.025	18.439	21.488	20.176	20.633	22.200	25.071	−18	1	21
Capital expenditures	25.552	23.991	22.887	18.841	18.643	18.072	20.331	− 3	−23	23
Change in appropriations backlog*	−7.326	−8.726	−3.395	−0.716	+1.121	+1.008	+1.324			
Durable Goods										
New appropriations	7.398	7.724	8.238	8.197	9.453	8.843	11.447	−24	17	3
Capital expenditures	10.505	9.684	8.949	7.918	7.655	7.594	9.104	− 7	−19	20
Change in appropriations backlog*	−3.903	−4.556	−1.351	−0.606	+1.291	+0.929	+1.249			
Nondurable Goods										
New appropriations	12.627	11.215	13.250	11.979	11.180	13.357	13.624	−14	−9	34
Capital expenditures	15.047	14.307	13.938	10.923	10.988	10.478	11.227	0	−26	25
Change in appropriations backlog*	−3.423	−4.170	−2.044	−0.110	−0.170	+0.079	+0.075			
ELECTRIC & GAS UTILITIES										
New appropriations	8.502	10.603	10.803	6.966	6.312	5.631p				
Capital expenditures	8.835	9.018	9.331	9.032	9.335	9.092p				
Change in appropriations backlog*	−1.772	+0.680	−4.492	−5.709	−6.345	−4.014p				

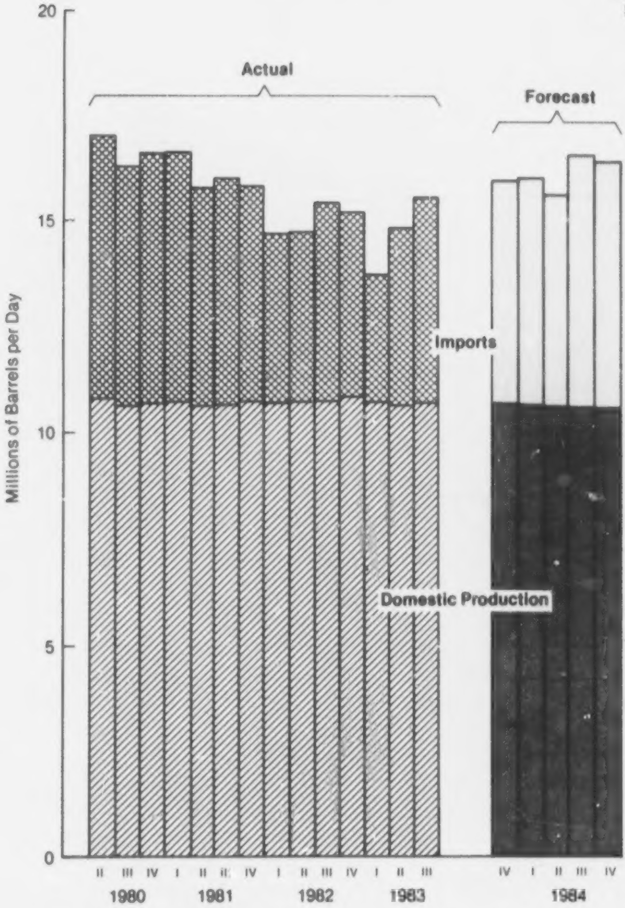
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

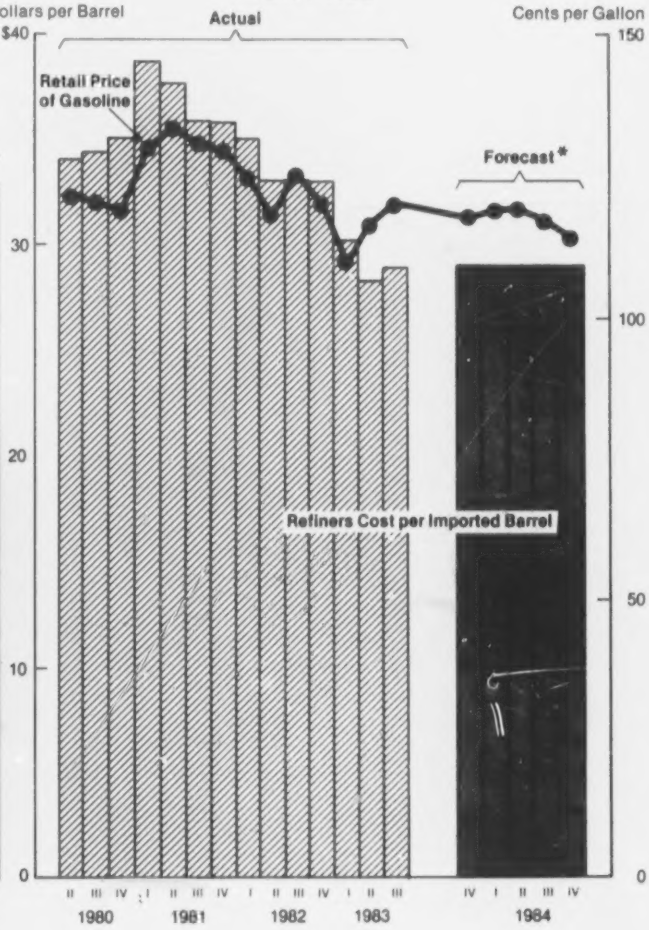
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments)

** Results based on survey respondents' expectations.

Oil Supply



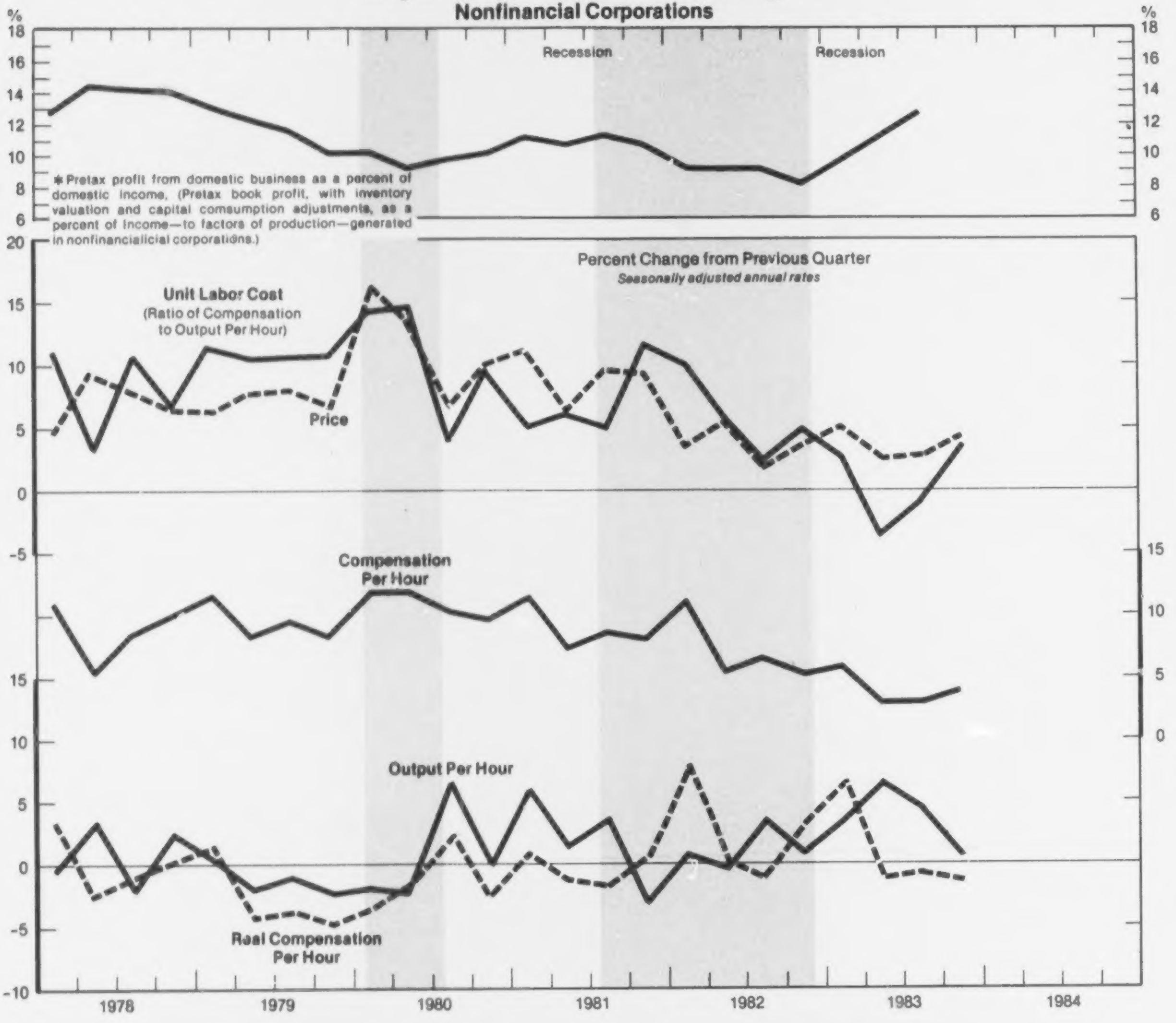
Oil Price



*Source: of Forecast is The Energy Information Administration; Department of Energy.

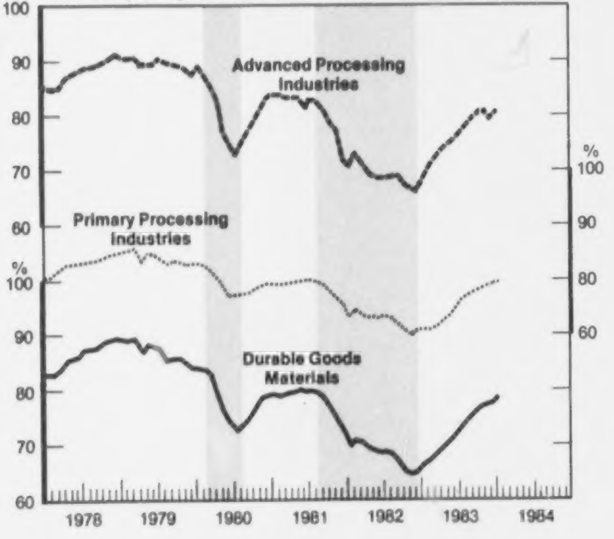
Key Determinants of Profit Margin

Nonfinancial Corporations

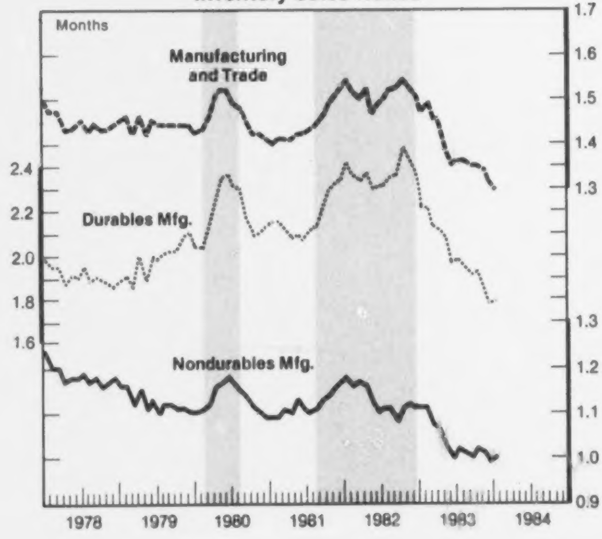


* Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[1]		Georgia State University[1]	
Date of Forecast			*Feb., 1984*		*Feb., 1984*		*Feb., 1984*		*Feb., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**IV**	**$3437.3**	**9.2%**	**$3437.3**	**9.2%**	**$3437.3**	**9.2%**	**$3437.3**	**9.2%**
	1984	I	3539.7	12.5	3528.0	11.0	3522.7	10.3	3538.9	12.4
		II	3621.0	9.5	3606.7	9.2	3594.8	8.4	3611.6	8.5
		III	3710.7	10.3	3707.4	11.6	3681.5	10.0	3683.1	8.2
		IV	3798.5	9.8	3808.0	11.3	3776.2	10.7	3768.6	9.6
	1985	I	3884.3	9.3	3900.3	10.1	3858.2	9.0	3850.5	9.0
		II	3965.4	8.6	3991.2	9.7	3940.9	8.9	3933.2	8.9
		III	4042.9	8.0	4034.6	4.4	4027.0	9.0	4018.5	9.0
		IV	4121.7	8.0	4091.1	5.7	4111.5	8.7	4098.6	8.2
	1986	I	4197.1	7.5						
	1984	Annual	3667.5	10.8	3662.5	10.6	3643.8	10.1	3650.6	10.3
	1985	Annual	4003.6	9.2	4004.3	9.3	3984.4	9.3	3975.2	8.9
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**IV**	**$1571.9**	**4.8%**	**$1571.9**	**4.8%**	**$1571.9**	**4.8%**	**$1571.9**	**4.8%**
	1984	I	1597.9	6.8	1594.7	5.9	1594.0	5.7	1595.0	6.0
		II	1615.3	4.4	1608.8	3.6	1612.0	4.6	1611.5	4.2
		III	1634.9	4.9	1630.8	5.6	1629.0	4.3	1625.4	3.5
		IV	1652.6	4.4	1651.5	5.2	1649.0	5.0	1640.6	3.8
	1985	I	1664.7	3.0	1665.5	3.4	1663.0	3.4	1654.0	3.3
		II	1676.0	2.7	1676.9	2.8	1677.0	3.4	1664.6	2.6
		III	1685.0	2.2	1670.8	-1.4	1692.0	3.6	1676.2	2.8
		IV	1692.6	1.8	1672.1	0.3	1706.0	3.4	1682.8	1.6
	1986	I	1698.9	1.5						
	1984	Annual	1625.2	5.9	1621.5	5.6	1621.0	5.6	1618.1	5.4
	1985	Annual	1679.6	3.3	1671.3	3.1	1684.5	3.9	1669.4	3.2
Gross National Product deflator Index, 1972 = 100										
Actual	**1983**	**IV**	**218.7**	**4.2%**	**218.7**	**4.2%**	**218.7**	**4.2%**	**218.7**	**4.2%**
	1984	I	221.5	5.3	221.2	4.8	221.0	4.3	221.9	6.0
		II	224.2	4.9	224.2	5.4	223.0	3.7	224.1	4.1
		III	227.0	5.1	227.3	5.7	226.0	5.5	226.6	4.5
		IV	229.8	5.2	230.6	5.8	229.0	5.4	229.7	5.0
	1985	I	233.3	6.2	234.2	6.4	232.0	5.3	232.8	5.5
		II	236.6	5.7	238.0	6.7	235.0	5.3	236.3	6.1
		III	239.9	5.8	241.5	6.0	238.0	5.2	239.7	6.0
		IV	243.5	6.1	244.7	5.4	241.0	5.1	243.6	6.5
	1986	I	247.0	5.9						
	1984	Annual	225.6	4.6	225.8	4.7	224.7	4.2	225.6	4.6
	1985	Annual	238.3	5.6	239.6	6.1	236.5	5.2	238.1	5.6
Unemployment Rate										
Actual	**1983**	**IV**	**8.5%**		**8.5%**		**8.5%**		**8.5%**	
	1984	I	7.8		7.9		8.0		8.0	
		II	7.6		7.8		7.9		7.8	
		III	7.4		7.6		7.8		7.6	
		IV	7.1		7.4		7.7		7.4	
	1985	I	7.1		7.3		7.6		7.2	
		II	7.0		7.3		7.4		7.1	
		III	7.1		7.7		7.3		7.0	
		IV	7.1		8.0		7.1		6.9	
	1986	I	7.3							
	1984	Annual	7.5		7.7		7.9		7.7	
	1985	Annual	7.1		7.6		7.4		7.1	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised fourth quarter data.

ECONOMIC FORECASTS (continued)

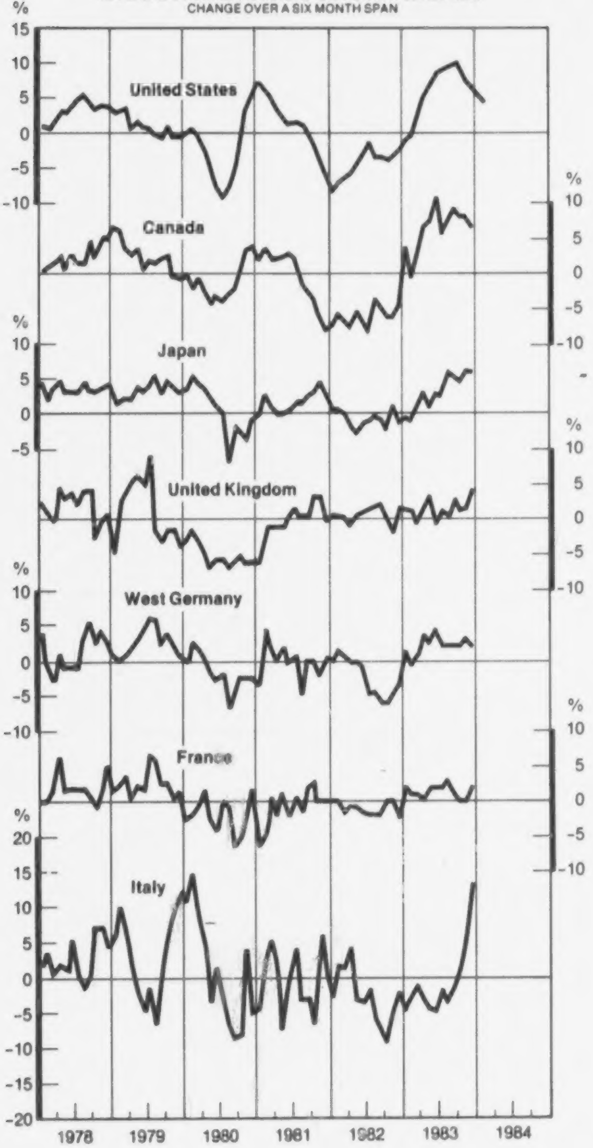
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Feb., 1984		*Feb., 1984*		*Feb., 1984*		*Feb., 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3437.3	**9.2%**	**$3437.3**	**9.2%**	**$3437.3**	**9.2%**	**$3437.3**	**9.2%**	**IV**	**1983**	**Actual**
3534.0	11.7	3519.0	9.9	3537.3	12.2	3527.9	11.0	I	1984	
3627.0	10.9	3595.0	8.9	3605.0	7.9	3618.9	10.7	II		
3708.0	9.2	3678.6	9.6	3682.6	8.9	3706.6	10.1	III		
3784.0	8.5	3759.0	9.0	3759.3	8.6	3790.1	9.3	IV		
3860.0	8.3	3840.7	9.0	3830.8	7.8	3877.6	9.6	I	1985	
3916.0	5.9	3911.5	7.6	3898.8	7.3	3951.5	7.8	II		
4000.0	8.9	3984.7	7.7	3969.0	7.4	4031.6	8.4	III		
4107.0	11.1	4064.9	8.3	4047.4	8.1	4101.4	7.1	IV		
		4162.8	10.0	4124.8	7.9	4150.6	4.9	I	1986	
3663.3	10.6	3637.9	9.9	3646.1	10.1	3660.9	10.6	Annual	1984	
3970.8	8.4	3950.5	8.6	3936.5	6.0	3990.5	9.0	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1571.9	**4.8%**	**$1571.9**	**4.8%**	**$1571.9**	**4.8%**	**$1571.9**	**4.8%**	**IV**	**1983**	**Actual**
1597.3	6.6	1593.4	5.6	1597.4	6.6	1594.2	5.8	I	1984	
1617.4	5.1	1611.3	4.6	1610.7	3.4	1617.1	5.9	II		
1627.2	2.4	1627.5	4.1	1628.1	4.4	1635.1	4.5	III		
1635.3	2.0	1641.2	3.4	1644.0	4.0	1649.8	3.6	IV		
1643.5	2.0	1650.7	2.3	1654.6	2.6	1662.4	3.1	I	1985	
1643.5	0.0	1657.1	1.6	1665.5	2.7	1671.0	2.1	II		
1655.7	3.0	1664.5	1.8	1676.6	2.7	1680.0	2.2	III		
1676.5	5.1	1675.1	2.6	1688.3	2.8	1683.3	0.8	IV		
		1686.5	2.8	1698.7	2.5	1675.4	-1.9	I	1986	
1619.3	5.5	1618.3	5.4	1620.1	5.5	1624.1	5.8	Annual	1984	
1654.8	2.2	1661.9	2.7	1671.3	3.2	1674.2	3.1	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
218.7	**4.2%**	**218.7**	**4.2%**	**218.7**	**4.2%**	**218.7**	**4.2%**	**IV**	**1983**	**Actual**
221.2	4.8	220.8	4.0	221.4	5.2	221.3	4.9	I	1984	
224.2	5.5	223.1	4.2	223.8	4.4	223.8	4.6	II		
227.9	6.6	226.0	5.3	226.2	4.3	226.7	5.3	III		
231.4	6.3	229.0	5.4	228.7	4.5	229.7	5.5	IV		
234.9	6.1	232.7	6.5	231.5	5.1	233.3	6.3	I	1985	
238.3	5.9	236.0	5.9	234.1	4.5	236.5	5.6	II		
241.6	5.7	239.4	5.8	236.7	4.6	240.0	6.1	III		
245.0	5.7	242.7	5.6	239.7	5.2	243.7	6.3	IV		
		246.8	7.0	242.8	5.3	247.7	6.9	I	1986	
226.2	4.9	224.8	4.2	225.0	4.4	225.4	4.5	Annual	1984	
239.9	6.1	237.7	5.8	235.5	4.7	238.3	5.8	Annual	1985	
								Unemployment Rate		
8.5%		**8.5%**		**8.5%**		**8.5%**		**IV**	**1983**	**Actual**
7.8		7.8		7.8		7.9		I	1984	
7.4		7.5		7.7		7.7		II		
7.3		7.4		7.5		7.6		III		
7.3		7.3		7.3		7.3		IV		
7.3		7.4		7.3		7.2		I	1985	
7.5		7.5		7.3		7.3		II		
7.4		7.7		7.3		7.3		III		
7.1		7.9		7.3		7.4		IV		
		7.8		7.4		7.5		I	1986	
7.5		7.5		7.6		7.6		Annual	1984	
7.3		7.6		7.3		7.3		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

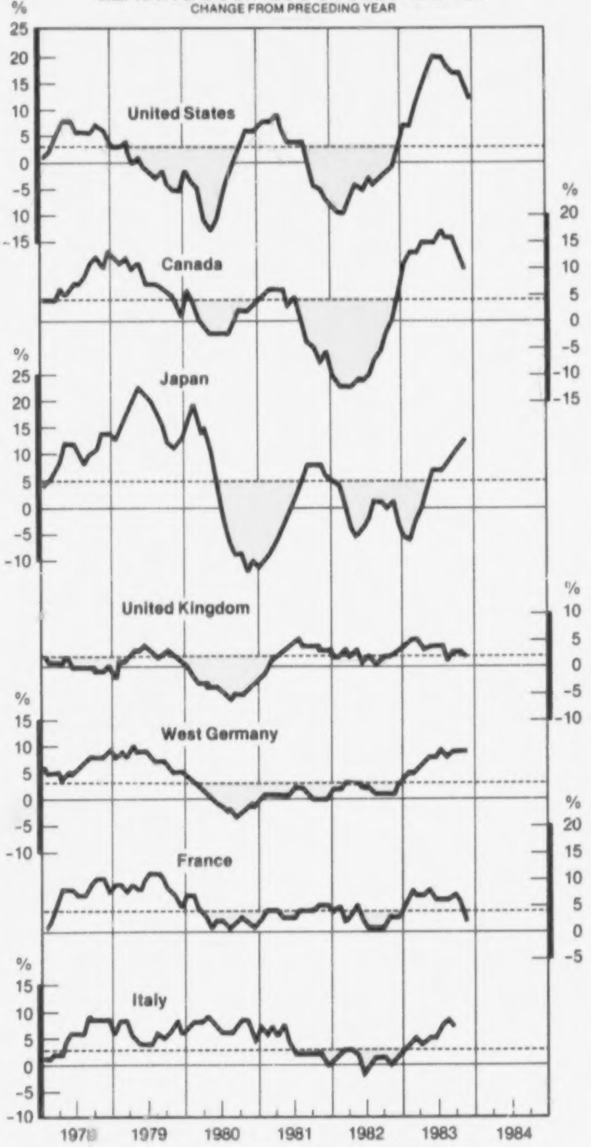
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



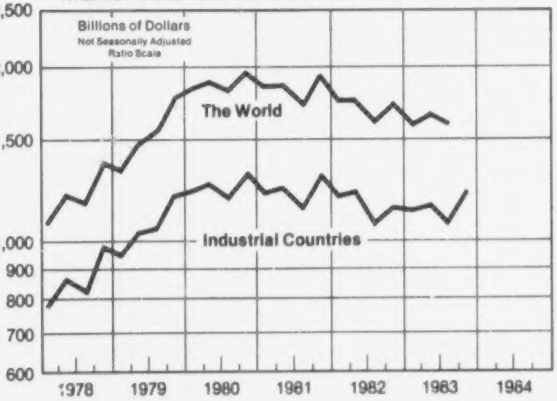
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

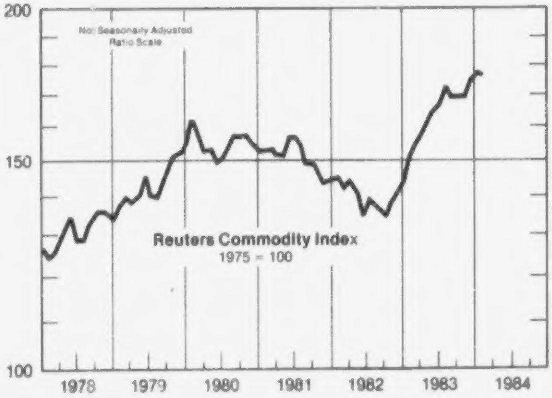


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

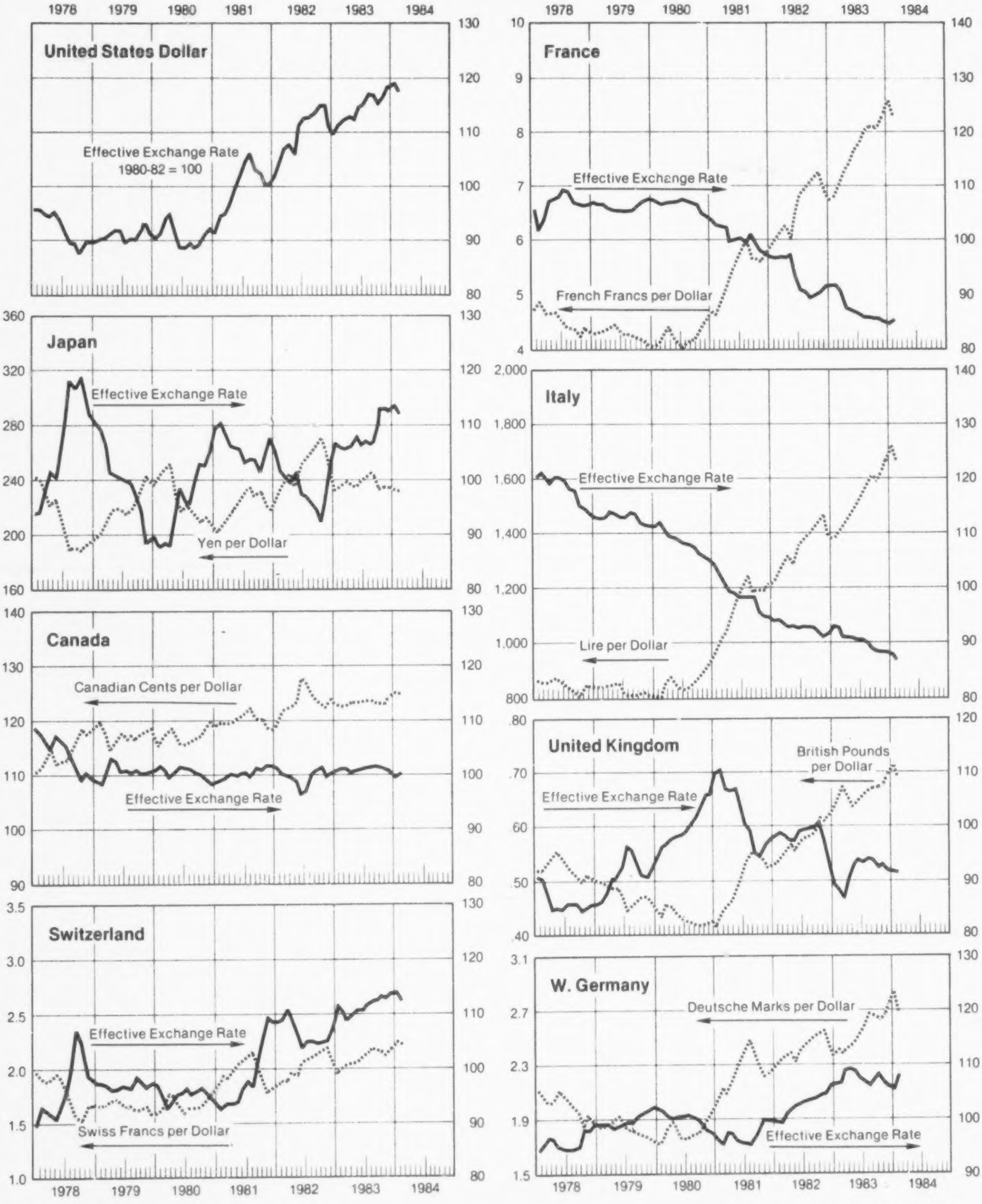


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



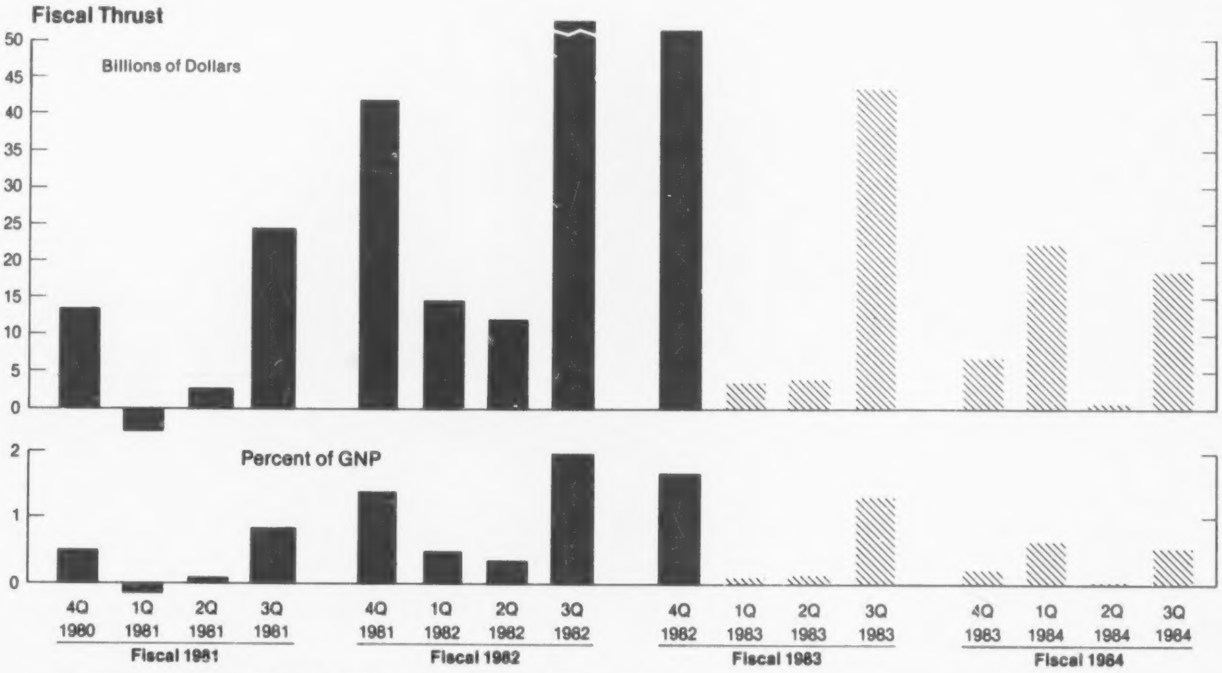
Note: Nominal Effective Exchange Rates; Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

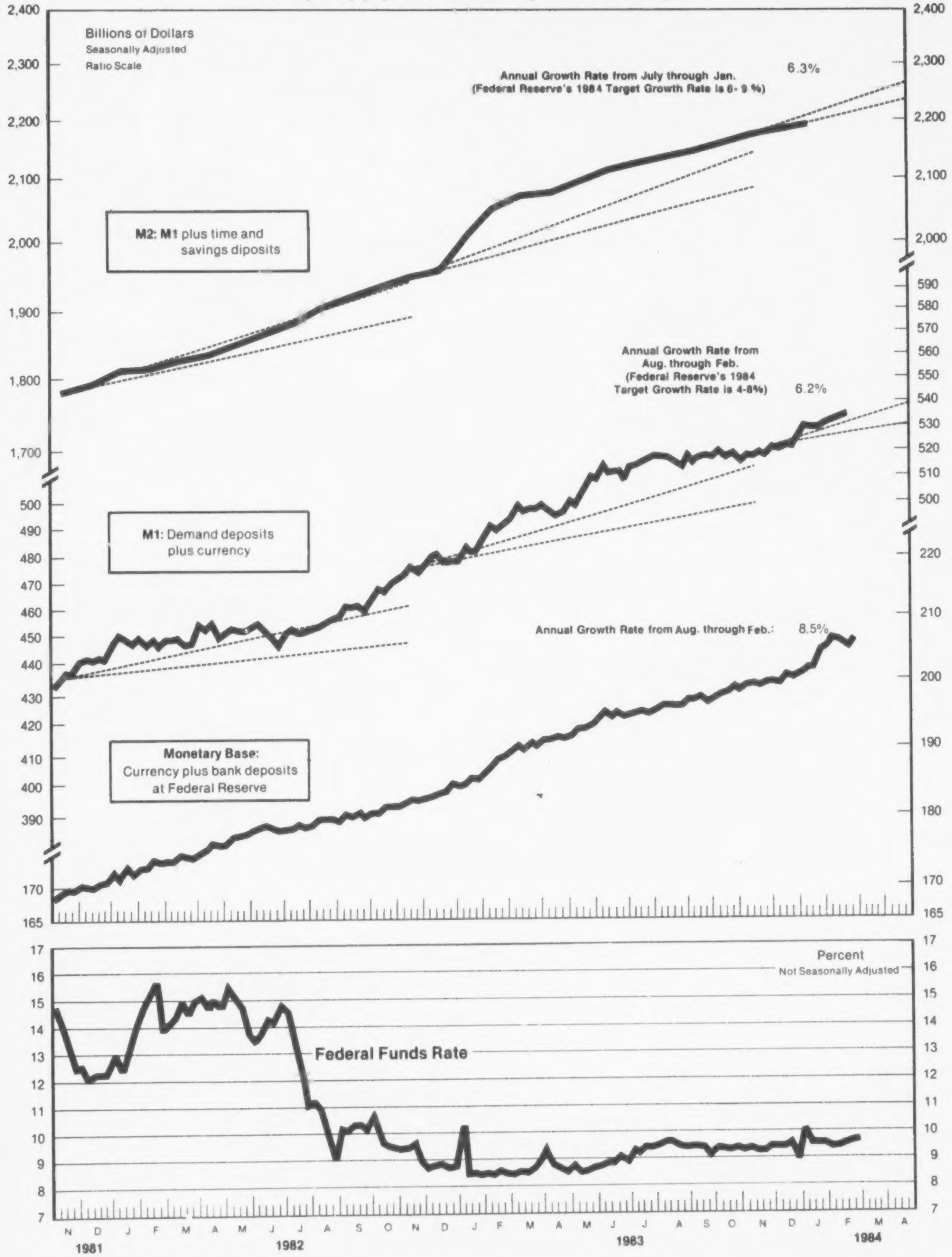
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(2/1/84)	(2/7/84)	(2/1/84)	(2/1/84)	(2/7/84)
Receipts	**600.6**	**670.1**	**663**	**737.3**	**745.1**	**734**
Outlays	**796.0**	**853.8**	**853**	**944.9**	**925.5**	**927**
Deficit	**-195.0**	**-183.7**	**-190**	**-207.7**	**-180.4**	**-193**
Receipts by source	**600.6**	**670.1**	**663**	**737.3**	**745.1**	**734**
Individual income taxes	288.9	293.3	294	323.4	328.4	329
Corporate income taxes	37.0	66.6	62	75.5	76.5	65
Social insurance	209.0	239.5	237	269.0	270.7	269
Other receipts	65.7	70.7	70	69.4	69.5	71
Outlays by function	**796.0**	**853.8**	**835**	**944.9**	**925.5**	**927**
National defense	209.9	237.5	235	284.2	272.0	263
Social security and medicare	223.3	240.2	241	261.4	260.3	260
Income security	122.2	112.5	97	116.9	114.4	115
Health	28.7	30.7	31	34.4	32.9	34
Education and manpower	26.6	28.7	28	29.0	27.9	29
Transportation	21.4	26.1	27	27.4	27.1	27
Veterans' benefits	24.8	25.8	26	26.6	26.7	26
International affairs	9.0	13.5	11	14.1	17.5	12
National resources and environment	12.7	12.3	12	11.8	11.3	12
Agriculture	22.2	10.7	10	14.3	14.3	12
General science	7.7	8.3	8	8.4	8.8	9
Community development	6.9	7.6	8	7.7	7.6	8
Revenue sharing	6.5	6.7	7	6.8	6.7	7
General government	4.8	5.7	6	5.7	5.7	6
Justice	5.1	6.0	6	6.2	6.1	6
Energy	4.0	3.5	3	3.4	3.1	4
Commerce and housing credit	4.4	3,8	4	1.6	1.1	3
Interest	89.8	108.2	108	117.9	116.1	127
Allowances			1	1.5	0.9	1
Undistributed offsetting receipts	-34.0	-34.0	-16	-34.6	-35.3	-34

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1980

Money Supply and Monetary Growth Targets



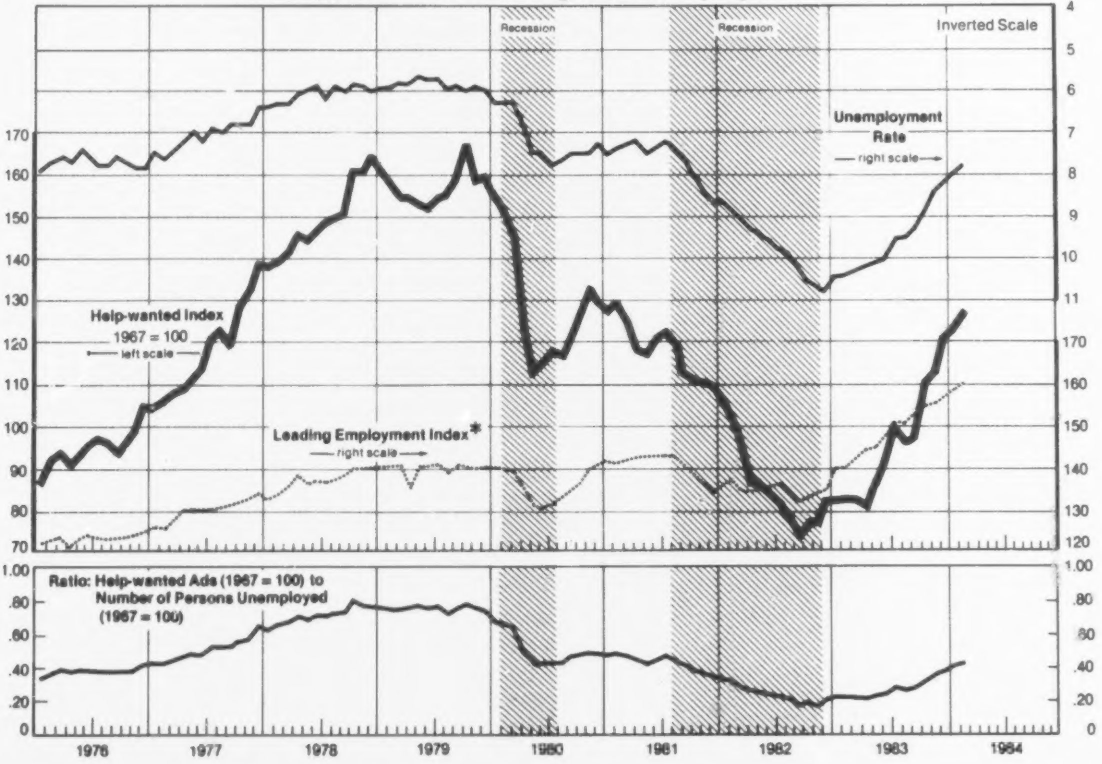
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984	1983		
	Jan.	Dec.	Nov.	Jan.
Total Index 51 papers	123	121	114	83
New England	132	130	121	84
Boston	145	144	136	92
Hartford	125	119	112	88
Providence	94	92	75	52
Middle Atlantic	57	58	53	43
Albany	119	111	100	78
Allentown	151	119	116	112
New York	48	52	49	37
Philadelphia	51	52	48	39
Pittsburgh	55	53	44	48
Rochester	67	65	58	48
Syracuse	82	90	80	62
East North Central	70	74	65	44
Chicago	81	89	80	39
Cincinnati	86	88	77	66
Cleveland	50	51	44	36
Columbus	103	98	85	75
Dayton	55	53	50	45
Detroit	50	53	42	36
Gary	95	110	100	90
Indianapolis	68	69	73	46
Milwaukee	51	51	47	33
Toledo	92	85	76	65
West North Central	76	70	63	47
Kansas City	98	99	82	65
Minneapolis	73	63	57	35
Omaha	114	103	95	85
St. Louis	55	50	49	37
South Atlantic	145	137	130	96
Atlanta	270	248	229	147
Baltimore	88	76	100	73
Charlotte	129	123	107	82
Jacksonville	166	176	162	128
Miami	83	79	79	64
Richmond	82	77	68	59
Washington, D.C.	147	144	127	99
East South Central	122	114	103	86
Birmingham	127	121	109	90
Knoxville	170	182	158	125
Louisville	69	63	55	47
Memphis	102	97	95	74
Nashville	176	149	132	122
West South Central	278	280	262	205
Dallas	386	395	373	251
Houston	358	363	344	274
New Orleans	127	128	107	116
Oklahoma City	156	157	141	123
San Antonio	186	159	161	138
Tulsa	143	153	129	120
Mountain	276	288	276	163
Denver	185	199	197	133
Phoenix	374	395	384	191
Salt Lake City	317	309	276	183
Pacific	181	170	170	120
Los Angeles	147	132	130	95
Sacramento	306	294	274	218
San Bernardino	165	123	138	101
San Diego	360	333	334	263
San Francisco	170	181	193	113
Seattle	182	179	171	139
Percentage of papers with rising volume	59%	86%	63%	51%
Unemployment rate	8.0%	8.2%	8.4%	10.4%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4r	95.4p										

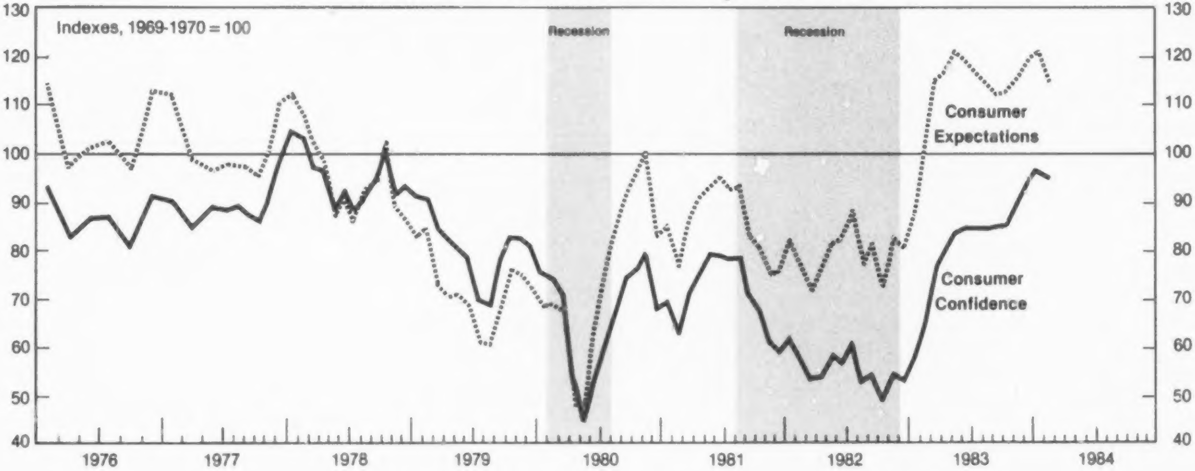
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4r	107.0p										

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

Consumer Confidence and Expectations



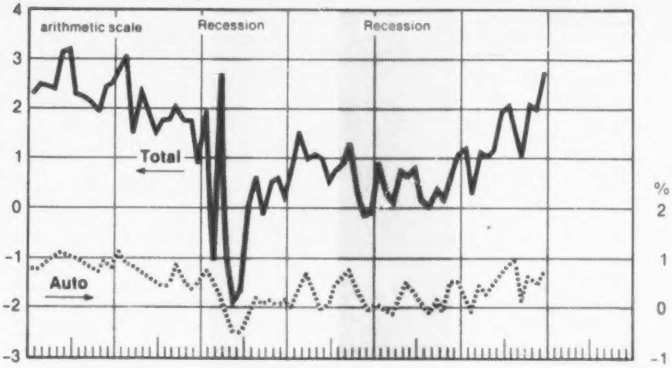
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

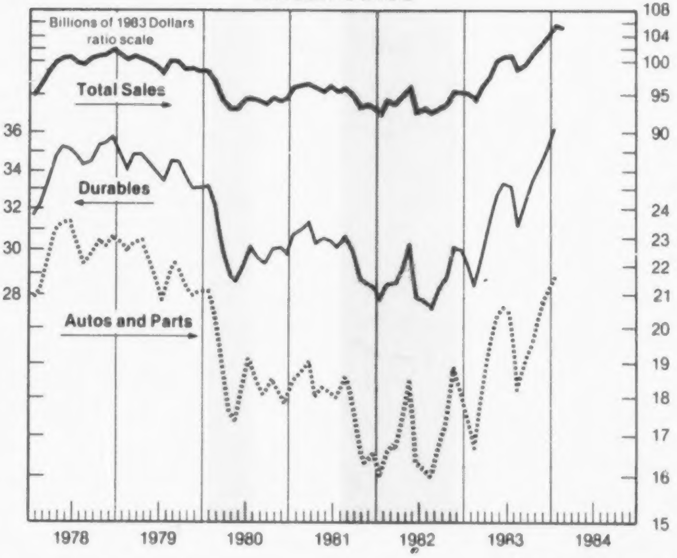
		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised



Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales

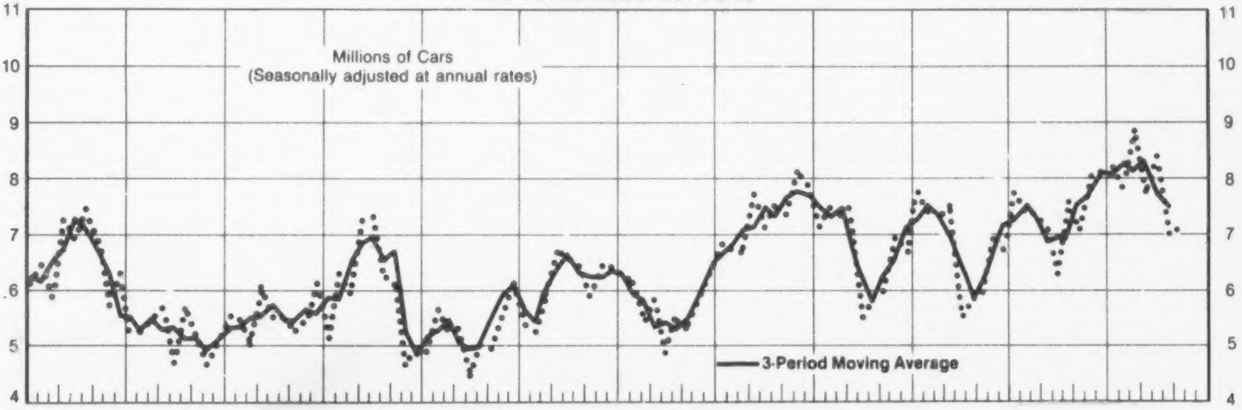
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

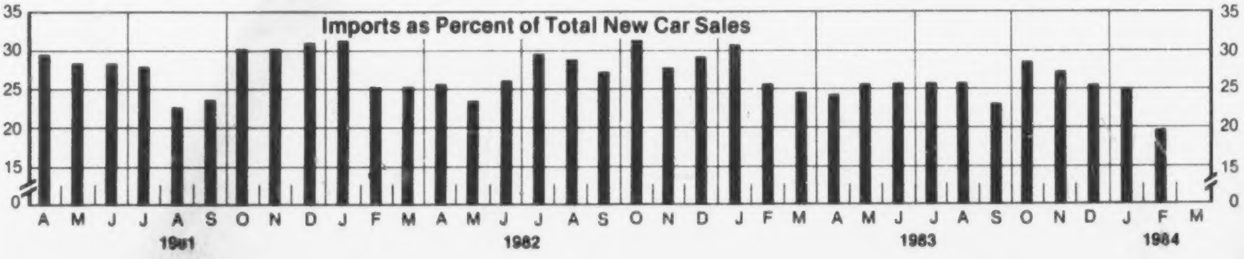
Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	
	21-31	5.05	6.19	6.21	
April:	1-10	6.24	5.16	6.82	
	11-20	6.00	6.36	6.76	
	21-30	6.40	5.94	6.71	
May:	1-10	6.13	7.30	7.72	
	11-20	6.52	7.34	7.07	
	21-31	5.94	6.25	7.55	
June:	1-10	6.09	6.10	7.34	
	11-20	5.99	4.68	8.12	
	21-30	6.06	4.94	7.88	
July:	1-10	6.09	4.92	7.16	
	11-20	6.47	5.61	7.42	
	21-31	5.89	5.30	7.37	
August:	1-10	7.31	5.35	7.51	
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





Imports as Percent of Total New Car Sales

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Volume 17, No. 4, April, 1984

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The Conference Board

COMMENT

Good times don't last forever. And the economy certainly has enjoyed a very good time for the last year and a half. Real GNP expanded by an average annual rate of 6.2% from the fourth quarter of 1982 to the first quarter of 1984; industrial production has been rising by a little more than 1% per month, on average, since November, 1982; unemployment dropped from 10.7% to 7.8%; housing starts jumped by over a million units, at an annual rate, and car sales came back strong. There is widespread agreement among economy watchers that business will continue to grow in 1984 and 1985, but the expectation is that the rate of improvement over the next year and a half will pale by comparison with the accomplishments listed above. Real GNP is expected to grow by about a 3% annual rate or less from mid-1984 to the fourth quarter of 1985; industrial production may rise by about 0.7% per month; the unemployment rate may improve to about 7%, perhaps even less; but housing starts and auto sales may not be much higher by the end of 1985 than they are currently.

The slowing in the rate of economic progress can be attributed to a maturing of the expansion and to a shift toward a less stimulative monetary and fiscal policy. We have said all along that 1984 would be the year in which a consumer-led recovery gave way to an investment-sustained expansion. Consumer spending, which accounts for approximately two-thirds of total economic demand, rebounded very sharply in 1983 and in the early months of 1984 as households went out and purchased the furniture, appliances, cars and homes that they had put off buying during the recessions. A good portion of that pent-up demand has now been released and, consequently, consumer buying can be expected to slow to a more sustainable pace. Business investment in new plant and equipment, on the other hand, only began to recover in the fourth quarter of 1983, and can be expected to rebound at a very sharp pace in 1984. Thus, business cycle expansion is moving to a more mature stage in which overall growth is slower and the sector of greatest strength is business investment, not consumer spending.

The anticipated slowing of overall economic growth, however, is more pronounced than can be attributed solely to the maturing of the business cycle. Changes in economic policy are expected to accentuate the slowdown of economic growth. The point is that the very policy mix that gave so much momentum to the economic system late in 1982 and in 1983 can only cause problems for the system in 1984. A year and a half ago, both consumer spending and business investment were very weak; a large part of productive capacity was idle; and many workers were laid off. Whether by design or not, the Federal government was spending a lot more than it was taking in, and was running very large budget deficits. In almost classical Keynesian fashion, the government-generated demand put some of the idled capital and labor resources back to work. The series of tax cuts bolstered, in succession, consumer buying and business investment. An accommodative rate of money-supply growth and some declines in interest rates allowed the momentum generated by this stimulus to diffuse through the system. The result was the good times described above.

Federal spending continues to outpace revenue. Both the Administration's and congressional estimates, calculated in February, show a deficit of between $180 and $190 billion in the current fiscal year and fiscal 1985. Thus, economic expansion is not reducing the deficit at all. In fact, the data on the *Perspective on the Federal Budget* table indicate that some hard decisions had to be made just to keep the deficit from rising. The current services deficit for fiscal 1985 was estimated to be $208 billion. That figure indicates where the deficit would go if no program changes at all were effected.

Budget deficits of the size now being experienced and anticipated for the next fiscal year show that the economy is still receiving strong fiscal stimulus. Until very recently, money growth was accommodating this high degree of stimulus. The problem, however, is that after a year and a half of economic expansion there is a much narrower margin of idle resources that can be profitably deployed to produce output. Indeed, the situation has reversed. At the end of 1982, the problem was how to stimulate demand; in early 1984, demand threatens to exceed supply. Too much demand and not enough supply is the classical hothouse atmosphere that serves as the optimum breeding ground of a new round of inflation. A corrective change in the policy mix is needed to avert an erosion of the very costly victory over inflation.

The Federal Reserve has apparently begun efforts to rein in money-supply growth. The data on the *Money Supply and Monetary Growth Targets* chart show that both the monetary base (currency plus bank deposits at the Federal Reserve) and M1 (currency plus demand deposits) rose less rapidly in March than in previous months. The effect on short-term interest rates has been

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STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

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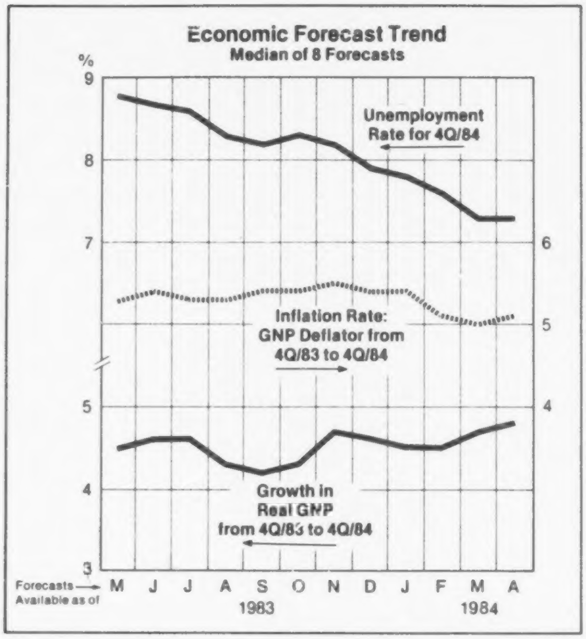


swift and dramatic. The Federal funds rate—the rate at which banks borrow from other banks—had been in a range of 9½% to 10% from last July through February, and closer to the bottom of that range throughout much of this time. In March, however, the Federal funds rate began moving toward the upper limit of that range. The prime interest rate is a full point higher now than it was only a short time ago.

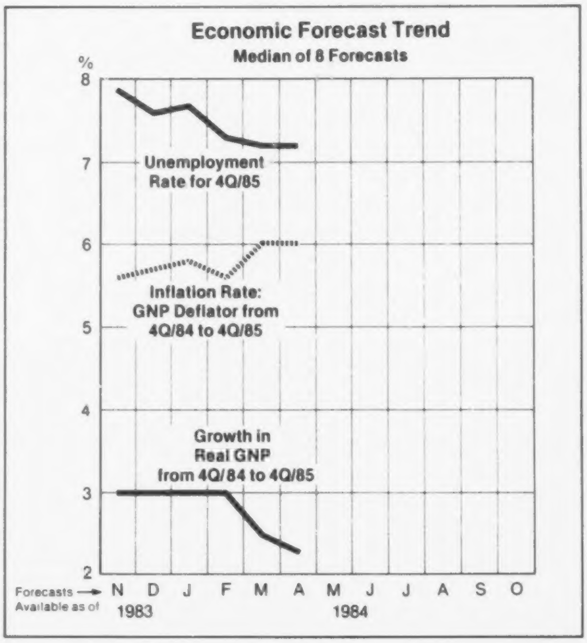
It is a fairly safe bet that we have not seen the last of hikes in short-term interest rates. Financial analysts generally assume that the prime may rise to 12½% or even 13½% over the next year, and a few would argue that even steeper hikes are possible. Moreover, the Federal Reserve is very likely to keep a restrictive hand on the money pump. This turn in monetary policy is necessary because action on the fiscal side is more likely to be delayed until after the elections . And, unlike the last few years, there will be no tax cut this July. Economic policy in general, then, is becoming more restrictive and that will accentuate the slowing of economic expansion. As the rise in short-term rates diffuses to consumer borrowing rates, spending on furniture, appliances and cars will decline. Variable-rate mortgages make the housing market more sensitive to short-term fluctuations in rates than it has been in the past. The effect will not be immediate or dramatic, but it will be noticeable.

Business investment will not grind to a halt because borrowing rates have gone up. In fact, responses to The Conference Board's *Capital Appropriations and Expenditures* survey of the nation's 1,000 largest manufacturers, taken in the fourth quarter of 1983, showed that industry executives fully expected to be able to boost capital spending even though higher rates were on the horizon. Economic expansion has regenerated corporate cash flow. The executives said that they expect to invest about 23% more in new plant and equipment in 1984 than they did in 1983, and that 80% to 90% of this investment would be financed internally. A less accommodative economic policy, then, is not going to cripple the recovery in investment—but is likely to limit its extent.

The median of the *Economic Forecasts* indicates that real GNP probably grew at a seasonally adjusted 7.2% annual rate in the first quarter of 1984, or by about as much as indicated in the Commerce Department's flash report. The median forecast of real output growth slows to a still very strong 4.6% in the second quarter as the effects of tighter money growth and higher interest rates begin to spread, and as consumer spending begins to moderate. Growth continues to subside in the last half of this year. But with expectations of a 4.2% rate in the third quarter and 3.6% in the fourth quarter, a considerable economic expansion persists through the end of this year. The *Economic Forecasts,* however, are pointing to a rather anemic expansion in 1985. The median growth rate weakens to 3% in the first quarter of 1985 and slides to a sluggish 2½% or less from the second quarter of 1985 through the forecast horizon (first quarter of 1986).

The *Economic Forecasts* are betting that a turn to a more restrictive policy will avert a resurgence in inflation, at least through the forecast horizon. The median of the forecasts indicates that inflation will hit 5% by the second quarter of 1985 and then inch toward 6%, but not beyond, by the end of 1985.

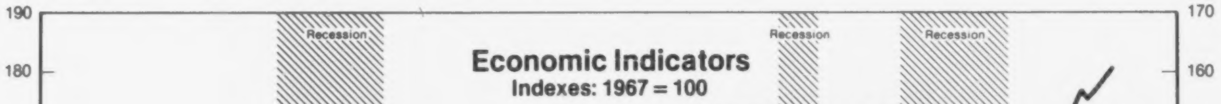
Ken Goldstein
April 11, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Feb.	X			+ 1.9%	+ 12.6%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Feb.		X		— 5.3%	+ 26.2%
New orders, nondefense capital goods (deflated)	Feb.	X			+ 8.3%	+ 37.7%
*New business formation	Feb.		X		— 0.	+ 4.0%
*Housing permits	Feb.	X			+18.6%	+ 31.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Feb.		X		+ 2.2%	+ 18.4%
*Change in inventory, on hand & order (deflated)	Jan.		X		— 4.8%	+ 42.5%
Purchasing agents' buying policy	Mar.		X		+ 4 %	+ 9 %
*Vendor performance, reported slower deliveries	Feb.	X			+ 9 %	+ 26 %
Industrial raw materials prices	Mar.	X			+ 2.1%	+ 15.9%
*Change in sensitive material prices	Feb.			X	— 0.5%	— 0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Mar.	X			+ 0.2%	+ 2.9%
Change in business loans	Feb.		X		+ 6.0%	+ 20.8%
*Change in credit outstanding	Jan.	X			+ 7.1%	+ 9.2%
Change in consumer installment debt	Jan.		X		— 6.5%	+ 19.4%
Profitability						
Total corporate profits, after tax (deflated)	4th Q			X	— 1.5%	+ 24.5%
*Common stock prices	Mar.			X	— 4.7%	+ 3.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Mar.		X		+ 0.5hr	+ 0.5hr
*Initial unemployment claims (inverted)	Mar.	X			+ 6.6%	+23.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



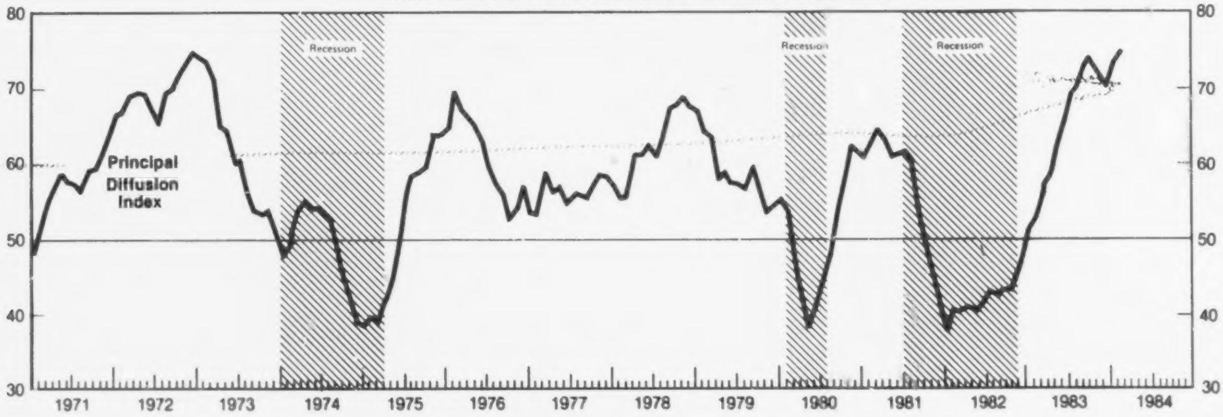
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Feb.	1983 Nov.	1983 Dec.	1984 Jan.	1984 Feb.(e)
Principal Diffusion Index	51.0r	71.9r	70.2r	73.1r	74.6
Auxillary Diffusion Index	55.1	40.8r	44.5r	59.4r	55.1
Industrial Group	45.6	78.0r	77.1r	80.5r	83.0
Nonindustrial Group	56.4r	65.8r	63.3r	65.6r	66.3
Sense of Diffusion	0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	46.6	75.9	69.2	72.9	76.1
Labor	44.1	81.3r	81.8r	85.0r	86.5
Miscellaneous	48.1	73.1	76.9	80.8	84.6
Nonindustrial Subgroups					
Prices	59.6	70.5	66.7	70.5	59.0
Consumer	61.5r	73.1r	77.4r	76.1r	80.3
Building	49.4	65.4	56.4	62.8	69.2
Miscellaneous	53.8	55.6r	51.7r	53.8r	55.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981		*1982*				*1983*				*1984*
	Aug.	***Nov.***	***Feb.***	***May***	***Aug.***	***Nov.***	***Feb.***	***May***	***Aug.***	***Nov.***	***Feb.***
	Score (scale 0-100)										
Measure of Business Confidence	57	43	47	52	55	60	70	76	75	74	70
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	26	23	30	38	44	65	76	82	80	76
2. Expectations for Economy, Six Months Ahead	63	51	59	64	65	70	76	78	74	73	67
Expectations for Own Industry, Six Months Ahead	60	52	58	61	61	65	70	72	69	70	70

The Measure of Business Confidence is the average of the scores for the three primary questins in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1982			1983				Percent Change From Previous Year		
	II	III	IV	I	II	IIIr	IVp	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.025	18.439	21.488	20.176	20.633	22.200	25.071	−18	1	21
Capital expenditures	25.552	23.991	22.887	18.841	18.643	18.072	20.331	−3	−23	23
Change in appropriations backlog*	−7.326	−8.726	−3.395	−0.716	+1.121	+1.008	+1.324			
Durable Goods										
New appropriations	7.398	7.724	8.238	8.197	9.453	8.843	11.447	−24	17	3
Capital expenditures	10.505	9.684	8.949	7.918	7.655	7.594	9.104	−7	−19	20
Change in appropriations backlog*	−3.903	−4.556	−1.351	−0.606	+1.291	+0.929	+1.249			
Nondurable Goods										
New appropriations	12.627	11.215	13.250	11.979	11.180	13.357	13.624	−14	−9	34
Capital expenditures	15.047	14.307	13.938	10.923	10.988	10.478	11.227	0	−26	25
Change in appropriations backlog*	−3.423	−4.170	−2.044	−0.110	−0.170	+0.079	+0.075			
ELECTRIC & GAS UTILITIES										
New appropriations (r)	8.795	10.624	9.939	7.664	6.713	5.771	7.202p			
Capital expenditures (r)	8.846	8.905	9.384	9.041	9.292	9.043	8.349p			
Change in appropriations backlog* (r)	−1.825	+0.504	−4.709	−4.812	−7.024	−3.925	−3.755p			

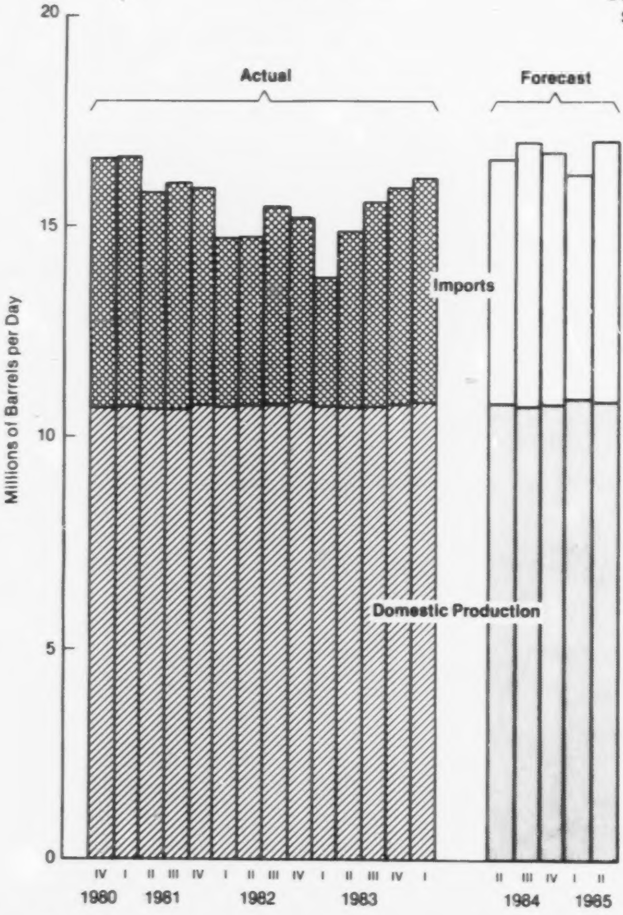
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

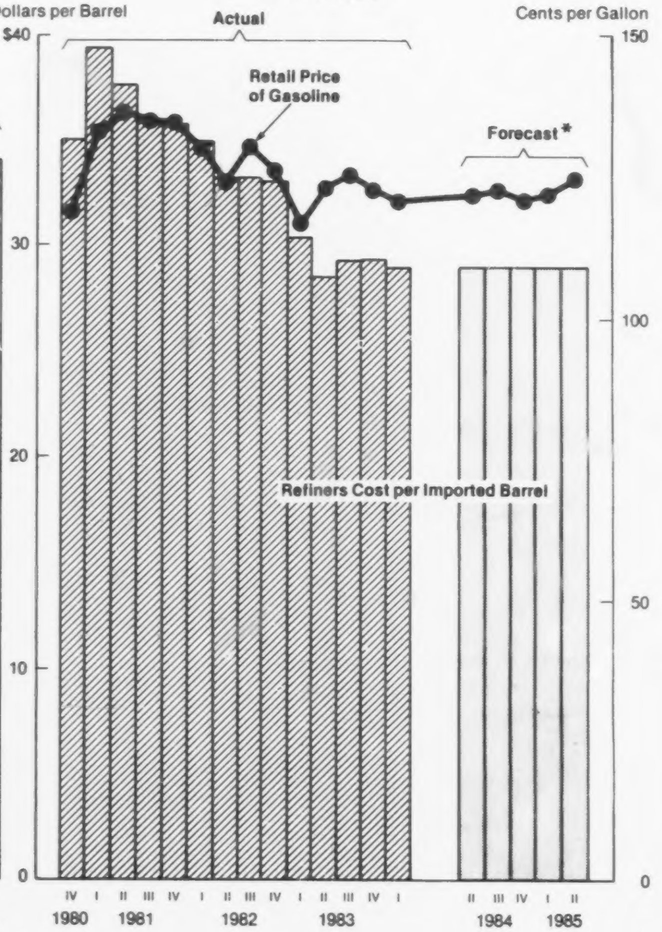
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



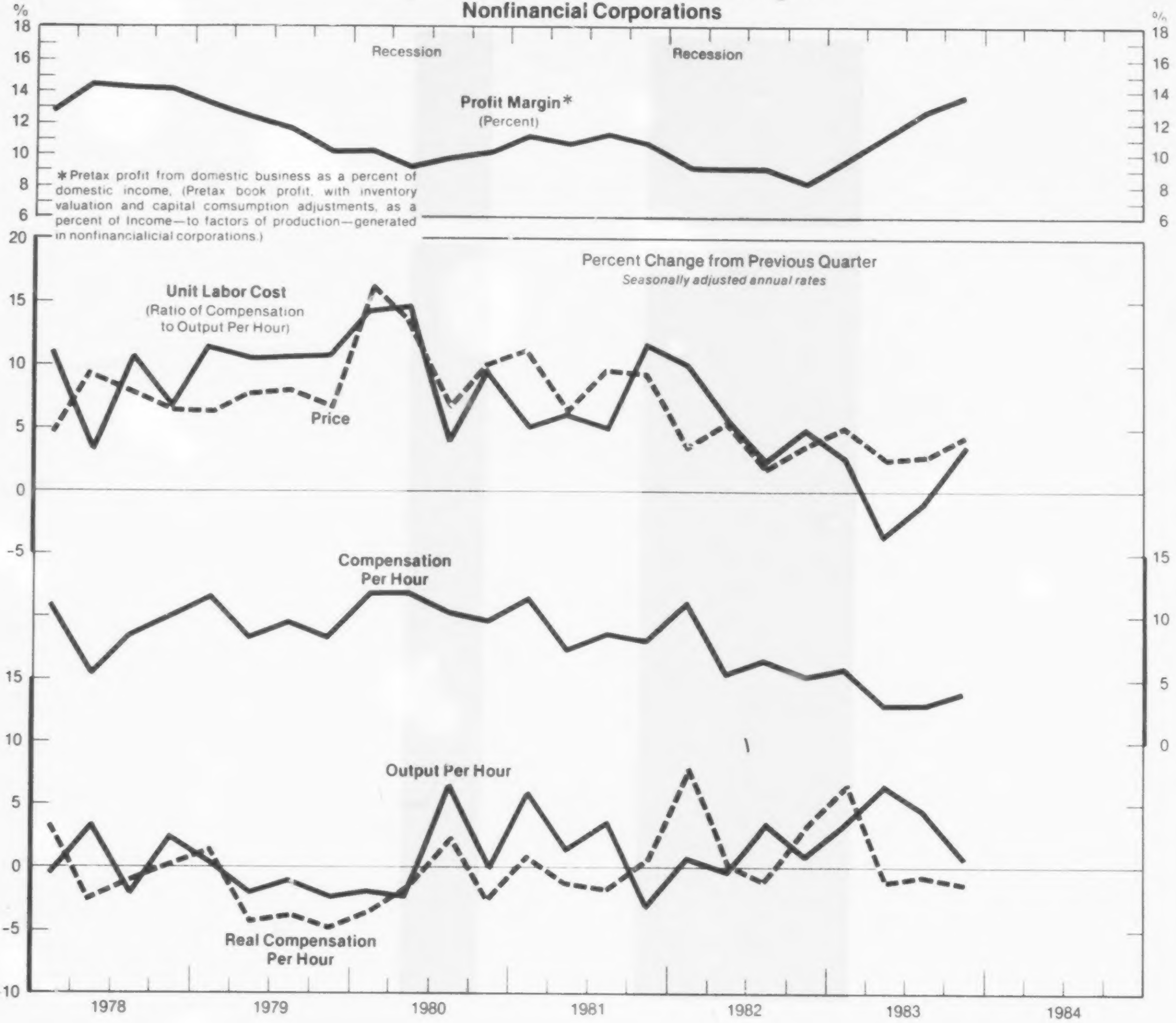
Oil Price



*Source: of Forecast is The Energy Information Administration; Department of Energy

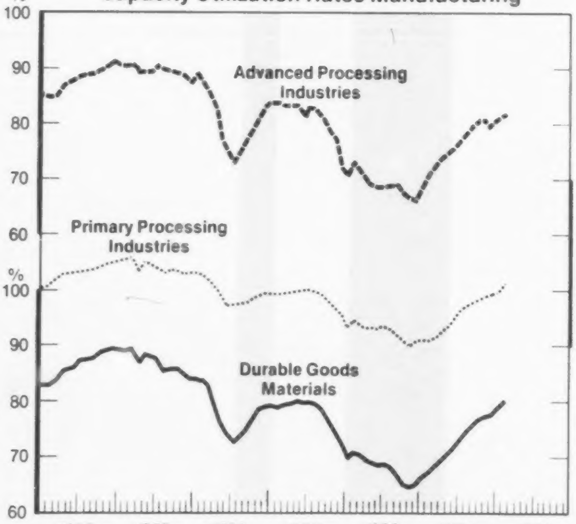
Key Determinants of Profit Margin

Nonfinancial Corporations

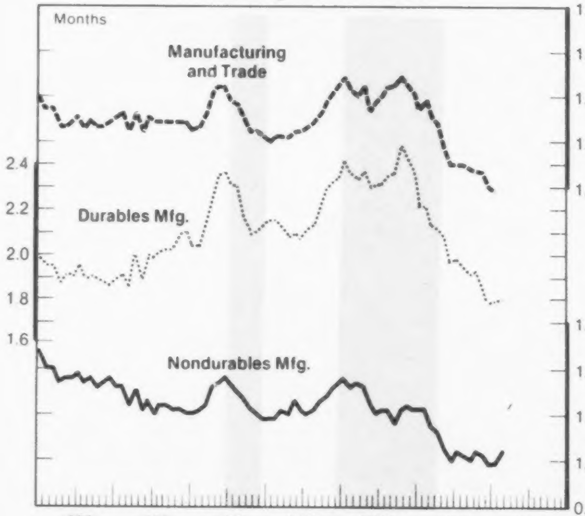


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Mar., 1984*		*Feb., 1984*		*Mar., 1984*		*Mar., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**IV**	**$3436.2**	**9.1%**			**$3436.2**	**9.1%**	**$3436.2**	**9.1%**
	1984	I	3543.0	13.0	$3528.0	11.0%	3538.2	12.4	3541.8	12.9
		II	3626.2	9.7	3606.7	9.2	3610.4	8.4	3624.9	9.7
		III	3713.9	10.0	3707.4	11.6	3688.3	8.9	3700.1	8.6
		IV	3800.2	9.6	3808.0	11.3	3771.6	9.3	3786.0	9.6
	1985	I	3886.4	9.4	3900.3	10.1	3860.5	9.8	3865.5	8.7
		II	3966.9	8.5	3991.2	9.7	3945.6	9.1	3944.5	8.4
		III	4046.1	8.2	4034.6	4.4	4031.7	9.0	4023.2	8.2
		IV	4124.8	8.0	4091.1	5.7	4118.7	8.9	4102.2	8.1
	1986	I	4201.9	7.7						
	1984	Annual	3670.8	10.9	3662.5	10.6	3652.1	10.3	3663.2	10.7
	1985	Annual	4006.1	9.1	4004.3	9.3	3989.1	9.2	3983.9	8.8
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**IV**	**$1572.5**	**5.0%**			**$1572.5**	**5.0%**	**$1572.5**	**5.0%**
	1984	I	1599.5	7.0	$1594.7	5.9%	1601.0	7.4	1602.3	7.8
		II	1617.5	4.6	1608.8	3.6	1619.0	4.6	1618.9	4.2
		III	1636.2	4.7	1630.8	5.6	1632.0	3.3	1630.5	2.9
		IV	1653.1	4.2	1651.5	5.2	1647.0	3.7	1645.0	3.6
	1985	I	1665.0	2.9	1665.5	3.4	1664.0	4.2	1657.2	3.0
		II	1675.7	2.6	1676.9	2.8	1679.0	3.7	1667.4	2.5
		III	1684.9	2.2	1670.8	-1.4	1694.0	3.6	1675.3	1.9
		IV	1692.4	1.8	1672.1	.3	1709.0	3.6	1681.5	1.5
	1986	I	1698.7	1.5						
	1984	Annual	1626.6	5.9	1621.5	5.6	1624.8	5.8	1624.2	5.8
	1985	Annual	1679.5	3.3	1671.3	3.1	1686.5	3.8	1670.3	2.8
Gross National Product deflator Index, 1972 = 100										
Actual	**1983**	**IV**	**218.5**	**3.9%**			**218.5**	**3.9%**	**218.5**	**3.9%**
	1984	I	221.5	5.6	221.2	4.8%	221.0	4.6	221.0	4.7
		II	224.2	4.9	224.2	5.4	223.0	3.7	223.9	5.3
		III	227.0	5.1	227.3	5.7	226.0	5.5	226.9	5.5
		IV	229.9	5.2	230.6	5.8	229.0	5.4	230.2	5.8
	1985	I	233.4	6.3	234.2	6.4	232.0	5.3	233.3	5.5
		II	236.7	5.8	238.0	6.7	235.0	5.3	236.6	5.8
		III	240.1	5.9	241.5	6.0	238.0	5.2	240.2	6.2
		IV	243.7	6.1	244.7	5.4	241.0	5.1	244.0	6.5
	1986	I	247.4	6.1						
	1984	Annual	225.6	4.7	225.8	4.7	224.7	4.3	225.5	4.6
	1985	Annual	238.5	5.7	239.6	6.1	236.5	5.2	238.5	5.8
Unemployment Rate										
Actual	**1983**	**IV**	**8.5%**		**8.5%**		**8.5%**		**8.5%**	
	1984	I	7.8		7.9		7.8		7.9	
		II	7.6		7.8		7.7		7.6	
		III	7.4		7.6		7.5		7.4	
		IV	7.2		7.4		7.4		7.3	
	1985	I	7.1		7.3		7.3		7.2	
		II	7.0		7.3		7.1		7.1	
		III	7.1		7.7		7.0		7.1	
		IV	7.1		8.0		6.9		7.2	
	1986	I	7.3							
	1984	Annual	7.5		7.7		7.6		7.6	
	1985	Annual	7.1		7.6		7.1		7.2	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (first revision) fourth quarter data.

[2] Based on revised (second revision) fourth quarter data.

ECONOMIC FORECASTS (continued)

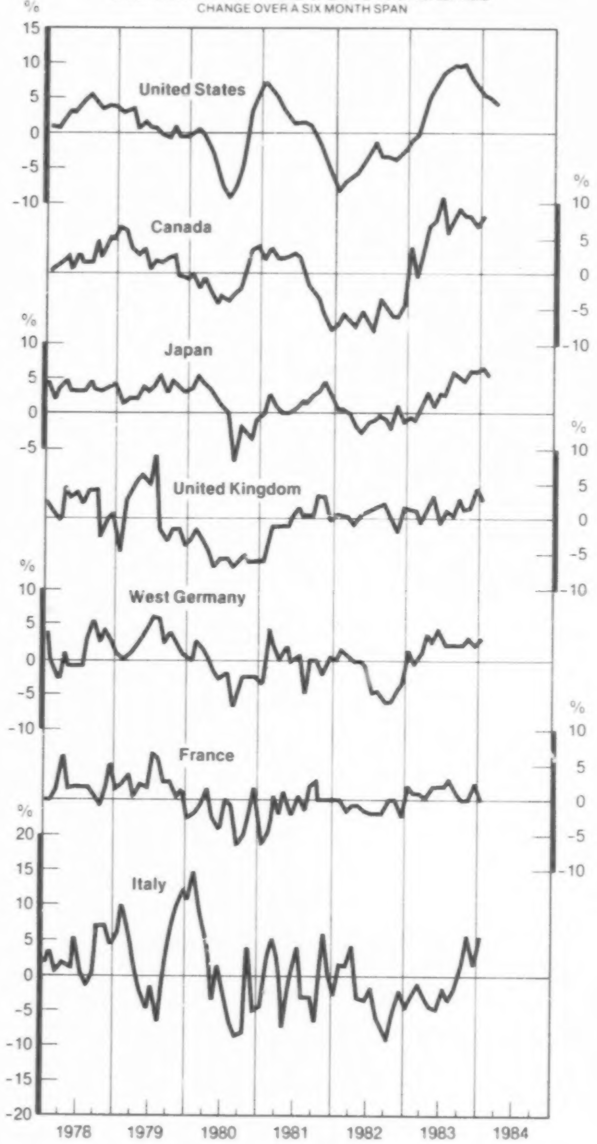
The Conference Board[1]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Feb., 1984		*Mar., 1984*		*Mar., 1984*		*Mar., 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$3436.2	**9.1%**	**$3436.2**	**9.1%**	**$3436.2**	**9.1%**	**IV**	**1983**	**Actual**
$3534.0	11.7%	3524.1	10.6	3538.0	12.4	3536.8	12.2	I	1984	
3627.0	10.9	3599.2	8.8	3613.1	8.8	3628.0	10.7	II		
3708.0	9.2	3681.6	9.5	3688.7	8.6	3718.9	10.4	III		
3784.0	8.5	3763.6	9.2	3754.3	7.3	3797.5	8.7	IV		
3860.0	8.3	3852.7	9.8	3826.5	7.9	3885.6	9.6	I	1985	
3916.0	5.9	3906.6	5.7	3893.4	7.2	3953.8	7.2	II		
4000.0	8.9	3984.7	8.2	3964.2	7.5	4029.3	7.9	III		
4107.0	11.1	4064.9	8.3	4046.4	8.6	4094.1	6.6	IV		
		4162.8	10.0	4129.0	8.4	4144.2	5.0	I	1986	
3663.3	10.6	3642.1	10.0	3648.5	10.2	3670.3	10.9	Annual	1984	
3970.8	8.4	3952.2	8.5	3932.6	7.8	3990.7	8.7	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
		$1572.5	**5.0%**	**$1572.5**	**5.0%**	**$1572.5**	**5.0%**	**IV**	**1983**	**Actual**
$1597.3	6.6%	1598.1	6.7	1600.5	7.3	1600.3	7.3	I	1984	
1617.4	5.1	1618.0	5.1	1616.3	4.0	1621.4	5.4	II		
1627.2	2.4	1635.3	4.3	1632.7	4.1	1641.0	4.9	III		
1635.3	2.0	1650.3	3.7	1644.2	2.8	1653.8	3.2	IV		
1643.5	2.0	1661.3	2.7	1653.6	2.3	1666.8	3.2	I	1985	
1643.5	0.0	1662.0	.2	1662.3	2.1	1673.1	1.5	II		
1655.7	3.0	1664.5	.6	1671.9	2.3	1680.9	1.9	III		
1676.5	5.1	1675.1	2.6	1683.5	2.8	1683.1	0.5	IV		
		1686.5	2.8	1694.7	2.7	1676.4	-1.6	I	1986	
1619.3	5.5	1625.4	5.9	1623.4	5.7	1629.1	6.1	Annual	1984	
1654.8	2.2	1665.7	2.5	1667.8	2.7	1676.0	2.9	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
		218.5	**3.9%**	**218.5**	**3.9%**	**218.5**	**3.9%**	**IV**	**1983**	**Actual**
221.2	4.8%	220.5	3.7	221.1	4.7	221.0	4.6	I	1984	
224.2	5.5	222.4	3.5	223.5	4.6	223.8	5.1	II		
227.9	6.6	225.1	4.9	225.9	4.3	226.6	5.2	III		
231.4	6.3	228.1	5.3	228.3	4.3	229.6	5.4	IV		
234.9	6.1	231.9	6.9	231.4	5.5	233.1	6.2	I	1985	
238.3	5.9	235.1	5.5	234.2	5.0	236.3	5.6	II		
241.6	5.7	239.4	7.6	237.1	5.0	239.7	5.9	III		
245.0	5.7	242.7	5.6	240.4	5.6	243.2	6.0	IV		
		246.8	7.0	243.6	5.6	247.2	6.7	I	1986	
226.2	4.9	224.0	3.9	224.7	4.2	225.3	4.5	Annual	1984	
239.9	6.1	237.3	5.9	235.8	4.9	238.1	5.7	Annual	1985	
								Unemployment Rate		
8.5%		**8.5%**		**8.5%**		**8.5%**		**IV**	**1983**	**Actual**
7.8		7.7		7.8		7.8		I	1984	
7.4		7.4		7.6		7.6		II		
7.3		7.2		7.4		7.4		III		
7.3		7.1		7.3		7.2		IV		
7.3		7.2		7.3		7.1		I	1985	
7.5		7.3		7.3		7.2		II		
7.4		7.7		7.4		7.2		III		
7.1		7.9		7.4		7.3		IV		
		7.8		7.5		7.4		I	1986	
7.5		7.4		7.5		7.5		Annual	1984	
7.3		7.5		7.4		7.2		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

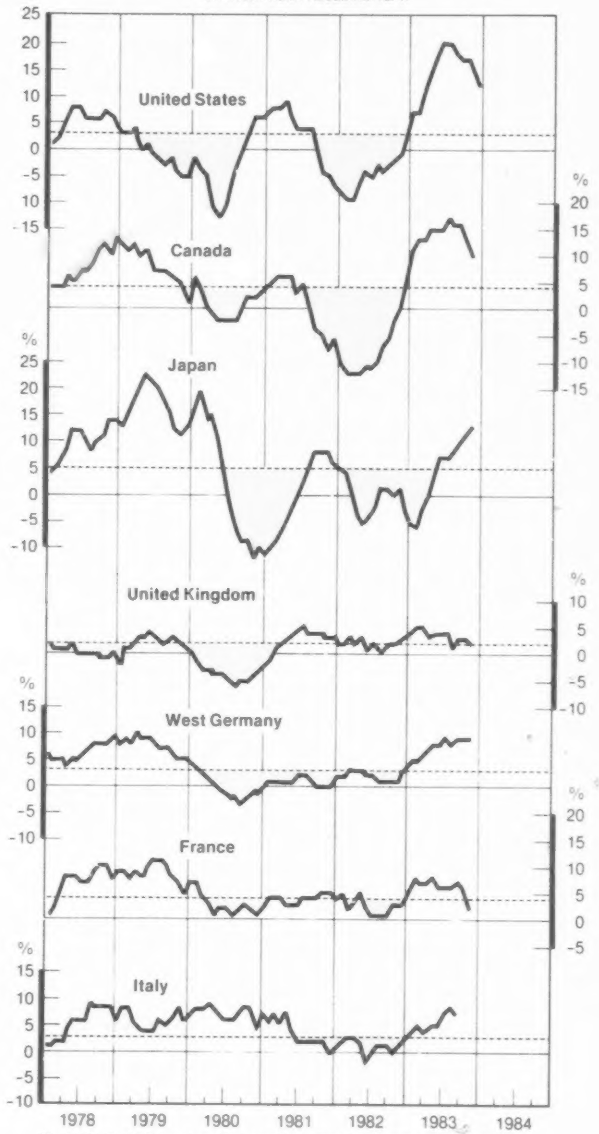
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



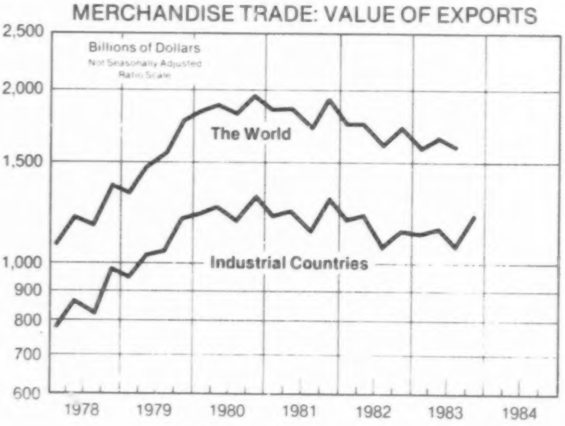
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

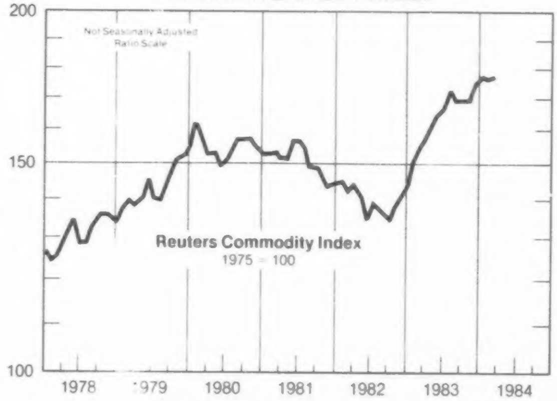


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

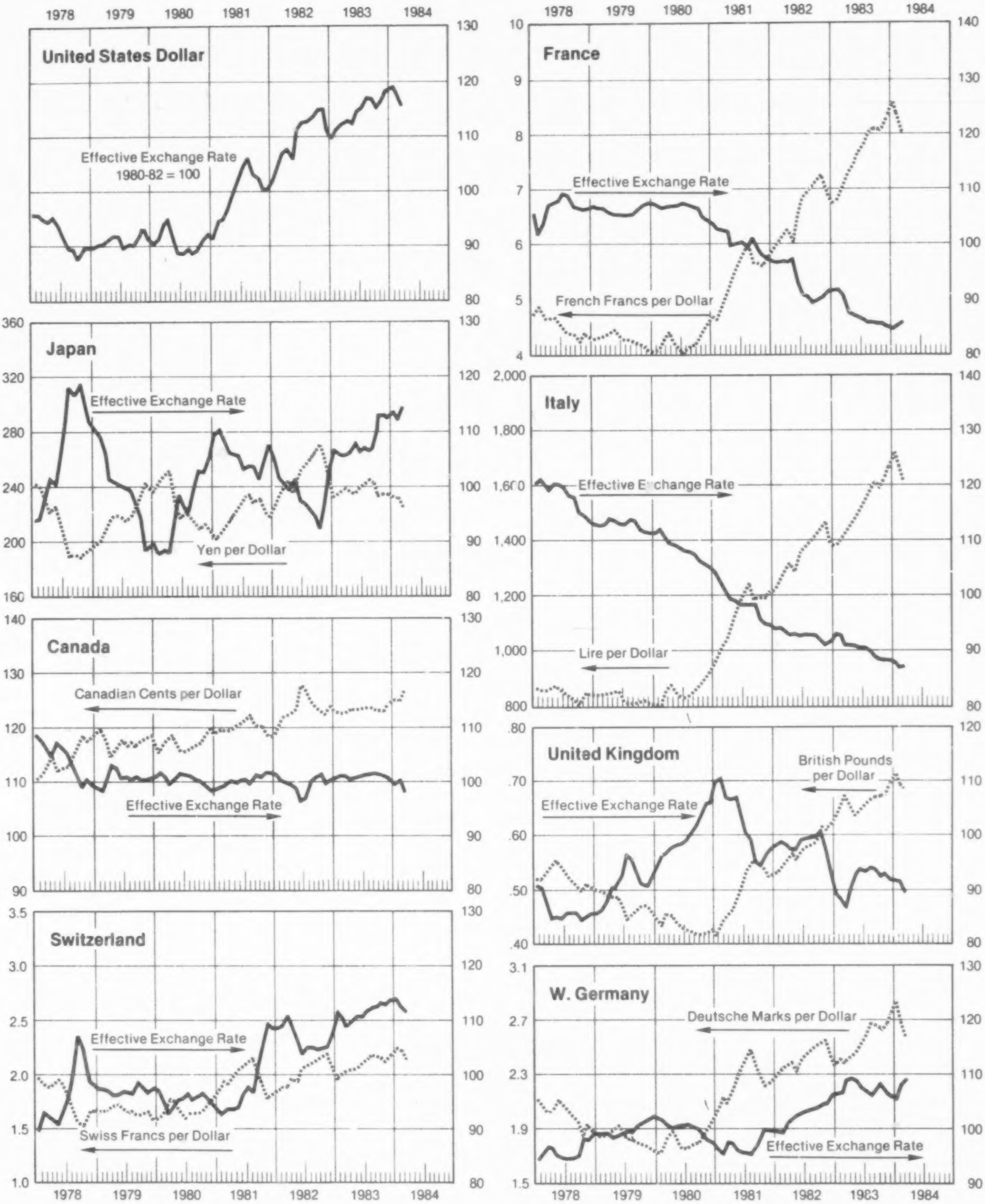


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



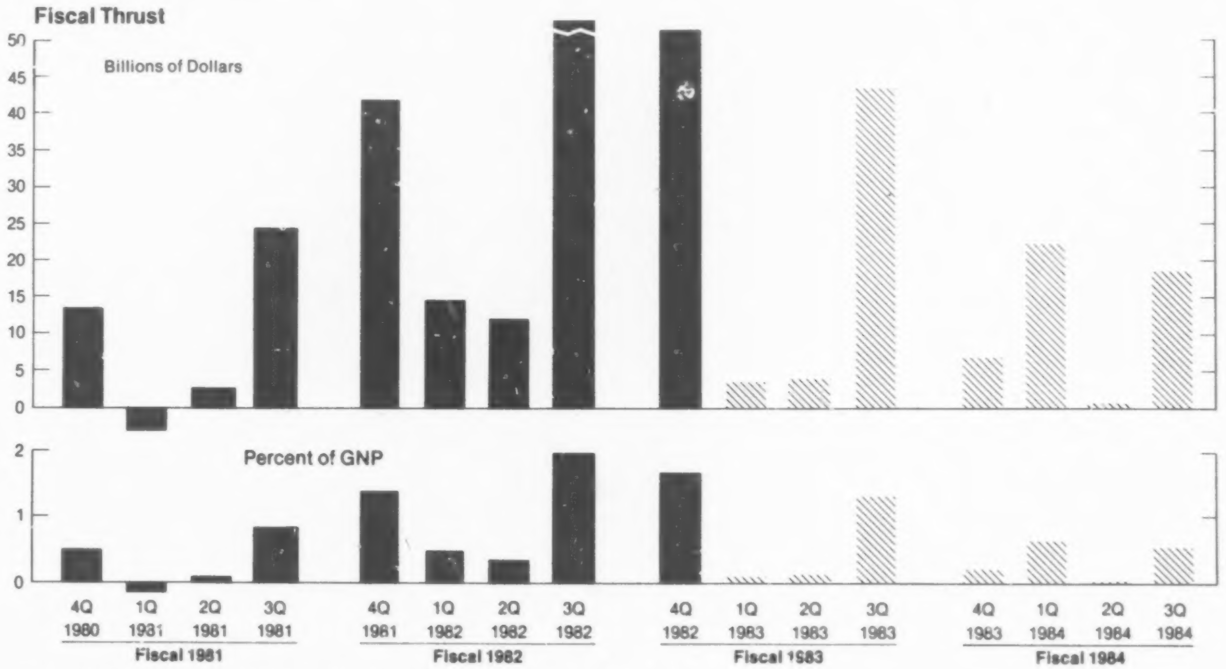
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

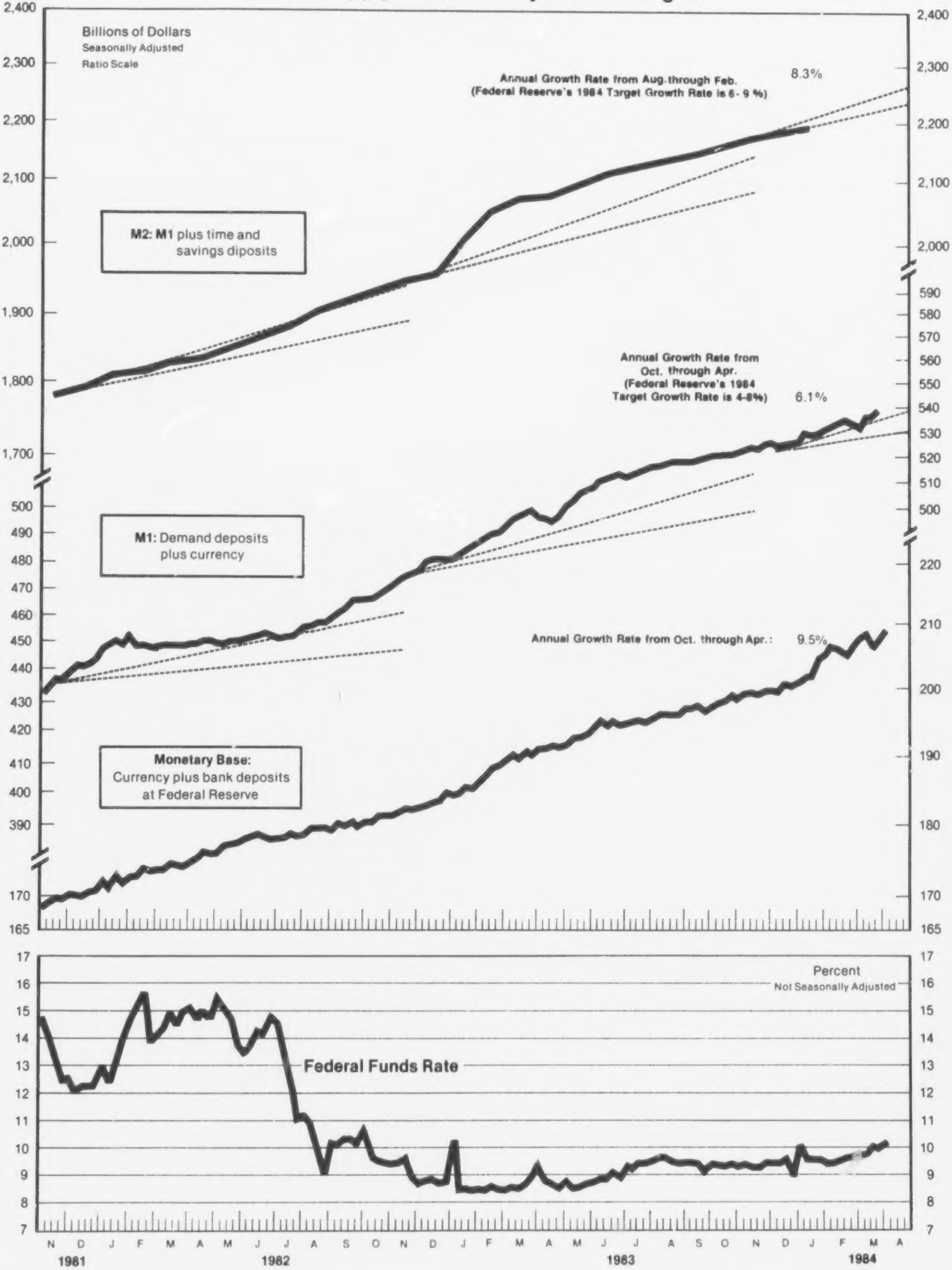
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(2/1/84)	(2/7/84)	(2/1/84)	(2/1/84)	(2/7/84)
Receipts	**600.6**	**670.1**	**663**	**737.3**	**745.1**	**734**
Outlays	**796.0**	**853.8**	**853**	**944.9**	**925.5**	**927**
Deficit	**-195.0**	**-183.7**	**-190**	**-207.7**	**-180.4**	**-193**
Receipts by source	**600.6**	**670.1**	**663**	**737.3**	**745.1**	**734**
Individual income taxes	288.9	293.3	294	323.4	328.4	329
Corporate income taxes	37.0	66.6	62	75.5	76.5	65
Social insurance	209.0	239.5	237	269.0	270.7	269
Other receipts	65.7	70.7	70	69.4	69.5	71
Outlays by function	**796.0**	**853.8**	**835**	**944.9**	**925.5**	**927**
National defense	209.9	237.5	235	284.2	272.0	263
Social security and medicare	223.3	240.2	241	261.4	260.3	260
Income security	122.2	112.5	97	116.9	114.4	115
Health	28.7	30.7	31	34.4	32.9	34
Education and manpower	26.6	28.7	28	29.0	27.9	29
Transportation	21.4	26.1	27	27.4	27.1	27
Veterans' benefits	24.8	25.8	26	26.6	26.7	26
International affairs	9.0	13.5	11	14.1	17.5	12
National resources and environment	12.7	12.3	12	11.8	11.3	12
Agriculture	22.2	10.7	10	14.3	14.3	12
General science	7.7	8.3	8	8.4	8.8	9
Community development	6.9	7.6	8	7.7	7.6	8
Revenue sharing	6.5	6.7	7	6.8	6.7	7
General government	4.8	5.7	6	5.7	5.7	6
Justice	5.1	6.0	6	6.2	6.1	6
Energy	4.0	3.5	3	3.4	3.1	4
Commerce and housing credit	4.4	3.8	4	1.6	1.1	3
Interest	89.8	108.2	108	117.9	116.1	127
Allowances			1	1.5	0.9	1
Undistributed offsetting receipts	-34.0	-34.0	-16	-34.6	-35.3	-34

Sources: Office of Management and Budget; Congressional Budget Office.


Fiscal Thrust

Note The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



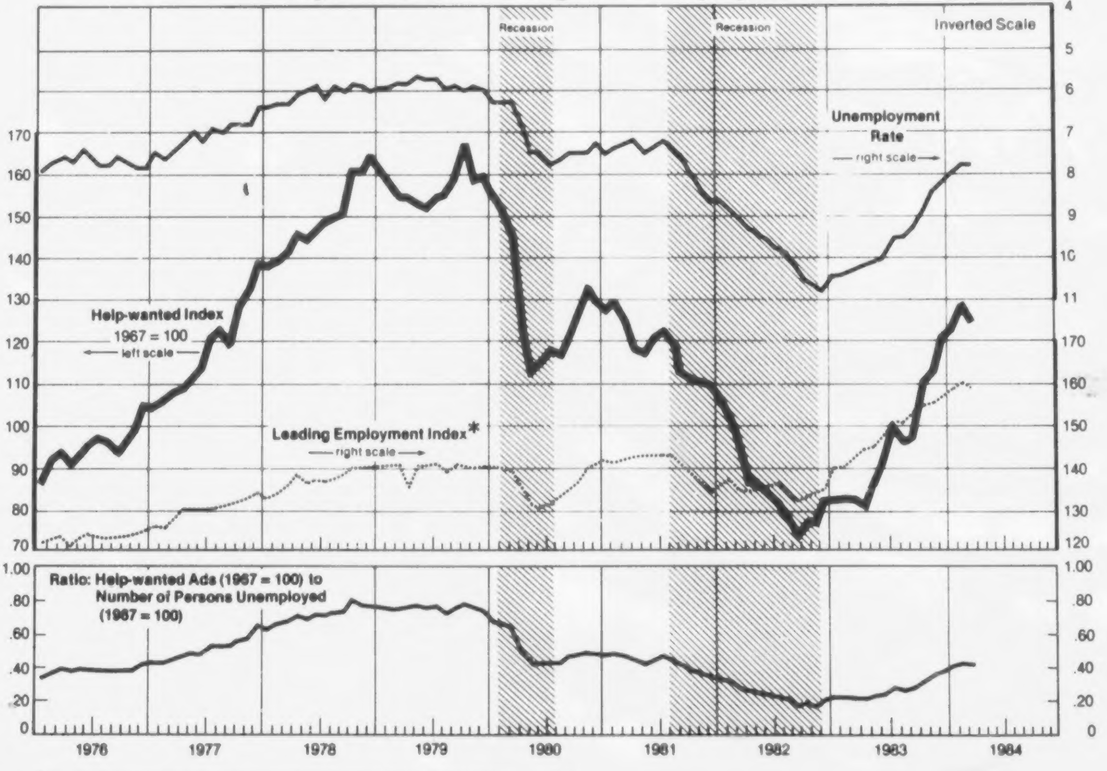
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984		1983	
	Feb.	Jan.	Dec.	Feb.
Total Index 51 papers	129	123	121	83
New England	134	132	130	85
Boston	153	145	144	95
Hartford	124	125	119	87
Providence	78	94	92	51
Middle Atlantic	58	57	58	43r
Albany	124	119	111	78
Allentown	141	151	119	97
New York	50	48	52	38
Philadelphia	52	51	52	36
Pittsburgh	56	55	53	46
Rochester	67	67	65	48
Syracuse	85	82	90	63r
East North Central	76	70	74	46
Chicago	92	81	89	42
Cincinnati	93	86	88	70
Cleveland	50	50	51	35
Columbus	102	103	98	75
Dayton	59	55	53	45
Detroit	52	50	53	35
Gary	99	95	110	92
Indianapolis	82	68	69	54
Milwaukee	51	51	51	32
Toledo	96	92	85	64
West North Central	78	76	70	46
Kansas City	100	98	99	66
Minneapolis	73	73	63	35
Omaha	111	114	103	76
St. Louis	60	55	50	38
South Atlantic	157	145	137	94
Atlanta	265	270	248	154
Baltimore	128	88	76	60
Charlotte	131	129	123	79
Jacksonville	173	166	176	129
Miami	86	83	79	66
Richmond	87	82	77	61
Washington, D.C.	162	147	144	96
East South Central	122	122	114	89
Birmingham	123	127	121	89
Knoxville	184	170	182	144
Louisville	67	69	63	52
Memphis	111	102	97	74
Nashville	161	176	149	119
West South Central	286	278	280	195
Dallas	416	386	395	238
Houston	352	358	363	263
New Orleans	140	127	128	110
Oklahoma City	150	156	157	116
San Antonio	193	186	159	138
Tulsa	139	143	153	102
Mountain	302	276	288	169
Denver	215	185	199	138
Phoenix	428	374	395	206
Salt Lake City	295	317	309	175
Pacific	188	181	170	122
Los Angeles	153	147	132	97
Sacramento	301	306	294	203
San Bernardino	158	165	123	101
San Diego	382	360	333	235
San Francisco	183	170	181	117
Seattle	186	182	179	145
Percentage of papers with rising volume	63%	59%	86%	39%
Unemployment rate	7.8%	8.0%	8.2%	10.4%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

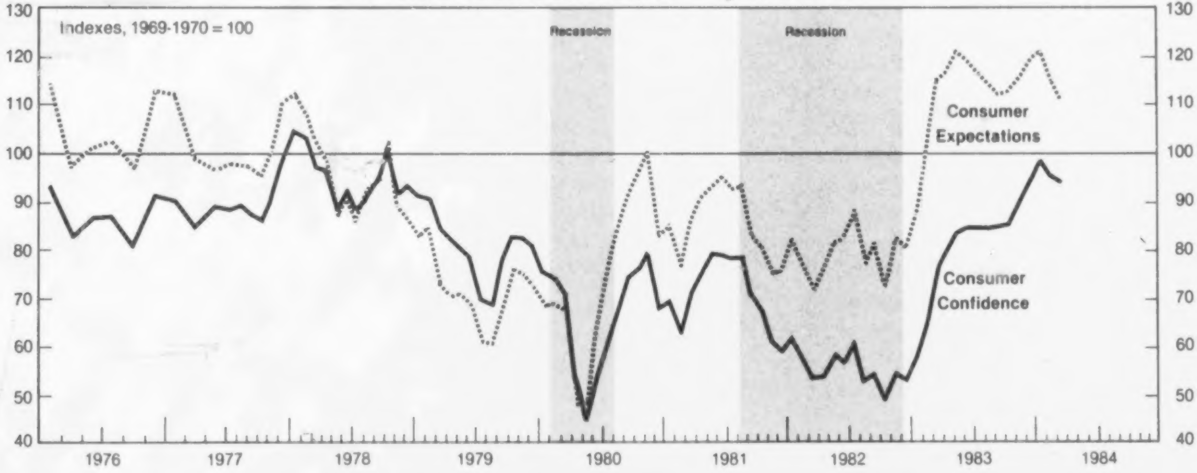
Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7r	94.2p									
Buying Plans Index												
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0r	101.7p									

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

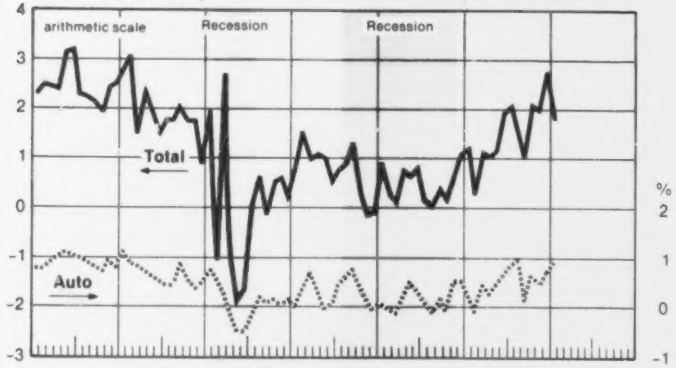
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

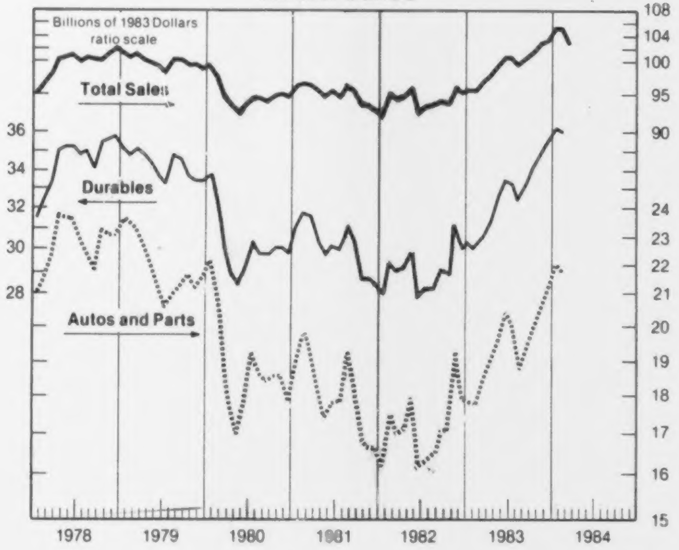
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



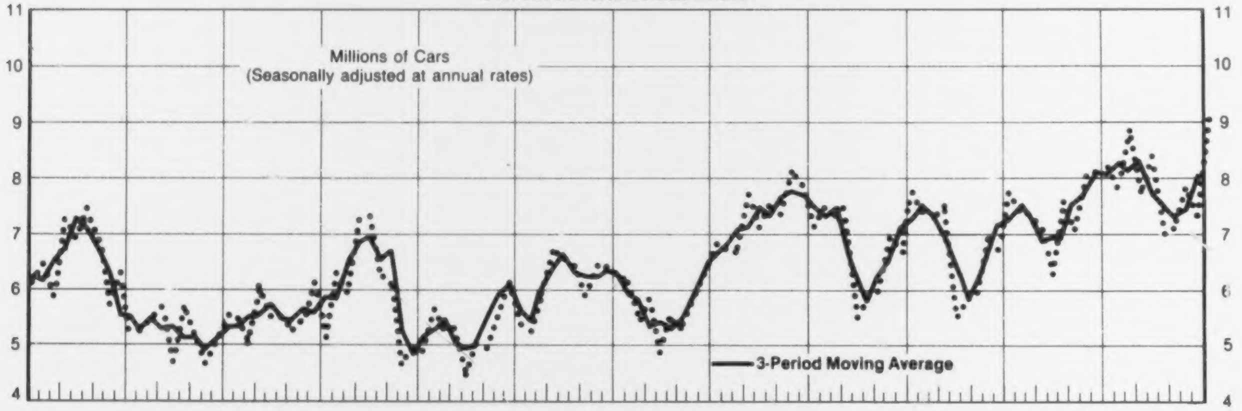
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

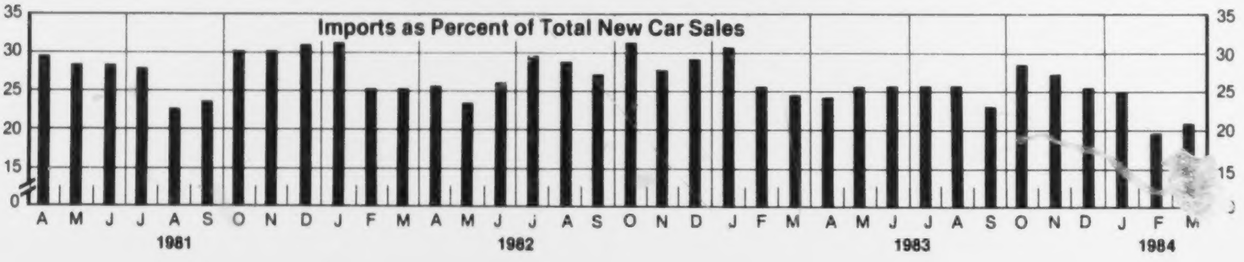
Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	
	21-30	6.40	5.94	6.71	
May:	1-10	6.13	7.30	7.72	
	11-20	6.52	7.34	7.07	
	21-31	5.94	6.25	7.55	
June:	1-10	6.09	6.10	7.34	
	11-20	5.99	4.68	8.12	
	21-30	6.06	4.94	7.88	
July:	1-10	6.09	4.92	7.16	
	11-20	6.47	5.61	7.42	
	21-31	5.89	5.30	7.37	
August:	1-10	7.31	5.35	7.51	
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



Imports as Percent of Total New Car Sales



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STATISTICAL BULLETIN

Volume 17, No. 5, May, 1984

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The Conference Board

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COMMENT

George Orwell was onto something; 1984 is, indeed, turning out to be a very decisive year for the economy. As the year began, the resurgence in business investment was delineated by the transition from a consumer-led recovery to an investment-sustained expansion. After 18 months of high economic growth, however, business activity is facing an encounter of another kind. Faced with the combination of prolonged high real interest rates, large Federal Government and international trade deficits, and an overvalued dollar in the exchange markets, this economy cannot continue to grow at a fast clip *and* keep the lid tightly wound on inflation.

Credit demand, despite its high cost, has been very strong over the last 18 months and has become even more intense of late. Consumers, confident in the strength of recovery and needing to replenish household stocks of furniture, appliances, cars, and so on, frequently resorted to buying on credit early in this expansion. As the chart on *Consumer Installment Debt Expansion to Personal Income* shows, households' credit demand remained strong through the first few months of 1984.

Business investment in new plant and equipment began to turn around in the second half of 1983. Early returns to The Conference Board's *Capital Appropriations and Expenditures* survey point to gathering momentum for a resurgence of capital spending in 1984. Further, business is also busy restocking its shelves. Inventory buildup played a significant part in the strong showing of real output growth in the first quarter of 1984. All this activity has resulted in substantial business borrowing. As indicated on the *Status of Leading Economic Indicators* table, business loans have been rising very sharply in the first half of 1984.

The line at the lending window is now three-deep—consumers, business and the Federal Government. The consumer and the government have been on line for a while, certainly all through 1983. Last year, market activity was orderly and interest rates, although unusually high for so early a phase of the business cycle, remained relatively stable. Indeed, an influx of foreign capital, attracted by the high rates and the high value of the dollar, augmented the availability of loanable funds and thus helped to keep rates from rising, despite increasing credit demand. Things began to change, however, after the start of the new year.

Two is company; three is a crowd. When business stepped up to the lending window early in 1984, crowding became an apt description of the lending line. While loan demand intensified, the influx of foreign capital did not. The Federal Reserve, for its part, has attempted to keep the flow of money into financial markets in relatively tight check (see the *Money Supply and Monetary Targets* chart). As a result, already high short-term interest rates have climbed sharply. The prime rate moved from 11% at the beginning of 1984 to 11½% in mid-March, to 12% in early April, and to 12½% in early May. It is not out of the question to expect that the prime rate may go even higher—perhaps to 13½%—in the second half of the year.

Monetary authorities are once again caught in the dilemma that rates have risen and will continue to rise whether money supply expansion is increased or restrained. Faster money growth now sets off monetarist fears that that leads to more inflation later. The elevated inflationary expectations are built into current premiums in interest rates. Continued monetary restraint, on the other hand, puts pressure on rates as long as credit demand remains so high. One crucial prop in the background of this scene is the widespread disbelief that inflation is, and will remain, relatively well in check.

On the basis of both Federal Reserve announcements and the trend in the money-supply data, the monetary policy stance seems to be to maintain a tight rein on money growth, thereby keeping the lid on inflation sealed. The problem this stance encounters is how much monetary restraint the system can absorb without losing the forward momentum of economic expansion. The *Economic Forecasts* indicate that the pace of activity in all markets can be expected to diminish over the next year or so. Expectations of slower economic growth rest partly on the hikes in interest rates. Tax hikes (later this year or early in 1985—in an effort to reduce the Federal Government's budget deficit) will also drain the system of some of its energy. Finally, a substantial decline in the value of the dollar, which may not occur before late 1985, would further grease the track down to a slower pace of activity.

The truth of the matter is that growth of real output has, in fact, been slowing gradually since mid-1983. Real GNP rose by a seasonally adjusted 9.7% annual rate in the second quarter of 1983. It then grew by 7.6% and 5.0% in the third and fourth quarters of 1983, respectively. This

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STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

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New York, New York 10022

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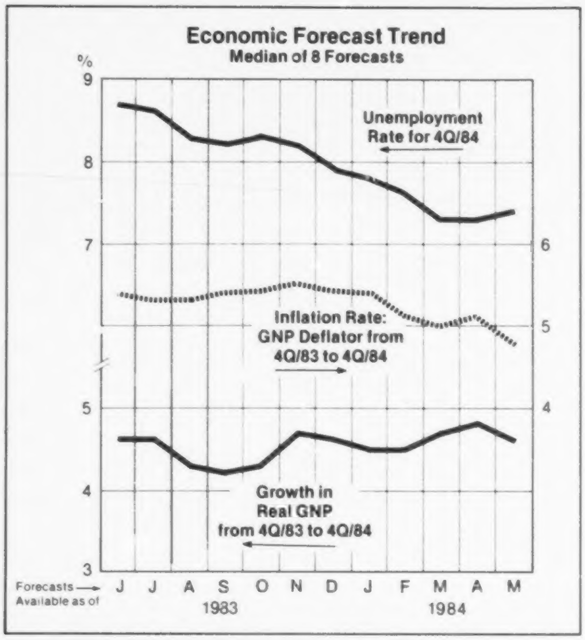

Economic Forecast Trend
Median of 8 Forecasts

trend continued in the first quarter of 1984, but one has to look at the numbers rather carefully to see it. Constant dollar GNP did indeed rise by 8.3% in the first quarter. Inventory accumulation, however, accounts for a little more than half of that gain. Final sales (GNP minus the change in inventory) increased at a 3.6% annual rate. That last number is the one to focus on. Undoubtedly, the restocking of the shelves has not been completed, but the change in inventory is not likely to be as great from here on out as it was in that first quarter.

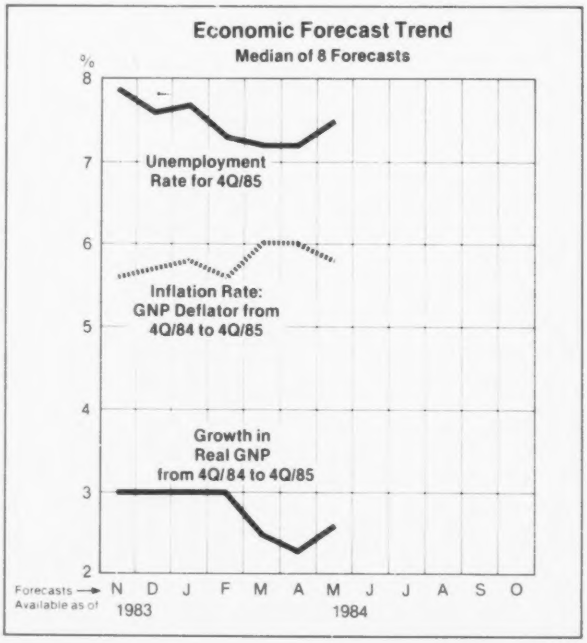
The uneven pace of inventory buildup, as well as the erratic weather patterns plaguing the country for the second successive Spring, make the job of forecasting the pace of economic expansion in the second quarter almost impossible. Retail sales, adjusted for inflation, were at about the same level in April as they were in January. Nevertheless, industrial production rose 1.4% in April, suggesting that some inventory replenishment is continuing. The *Economic Forecasts,* put together before these April figures became available, indicate that the economy is growing by between 2.3% and 5.2% in the second quarter, with a median of only 2.8 percent. That wide dispersion reflects the uncertain conditions prevailing at present.

The median expected rate of real output growth is 4.2% in the third quarter, and 3.4% in the fourth quarter of 1984. These forecasts imply that, while the economy is no longer growing at the very quick pace set earlier in this expansion, considerable strength remains in both consumer and investment demand. The forecasts further imply that real growth will slow to a more sluggish pace in 1985, under the weight of restraint on both monetary and fiscal policy and some slide in the value of the dollar. The median forecast of real GNP growth slows to 3.2% in the first quarter of 1985, and to only about 2½% to 3% in the last three quarters of the year. It is expected to be at a rate of only about 2½% in the first half of 1986.

The reduction in economic growth implies that the swift improvement in the national unemployment rate has come to an end. The Conference Board's *Help-wanted Index* stood at 124 (1967 = 100) in March, not much higher than the 123 level recorded in January—and early returns indicate that it probably did not change at all in April. This suggests that business is no longer intensifying efforts to recruit new job applicants—which helps to explain why the unemployment rate stayed at 7.8% in April, for the third month in a row. The *Economic Forecasts* indicate that the rate will only improve to about 7.3% by the end of this year. Given the expected sluggish pace of economic growth in 1985, the unemployment rate may move back toward 7½% by the end of 1985.

These economic projections suggest that the expansion will not be any stronger unless monetary and fiscal restraint are relaxed. That will not happen unless inflation remains subdued and markets become convinced that it will remain in check. The rate of increase in raw material prices, including food prices, is running at or under 6% at present. The other big factor in price moderation is wage moderation. The data on the *Key Determinants of Profit Margins* chart show that the rate of wage gain is also running under a 6% annual rate. The early signs of higher inflation will show up first, in all likelihood, either in higher raw material prices or in larger wage gains. The *Economic Forecasts* indicate that the GNP deflator, which rose by only 4.1% in the first quarter of 1984, will gradually quicken to something closer to a 6% rate by this time next year but will not go much beyond that through the forecast horizon (second quarter of 1986).

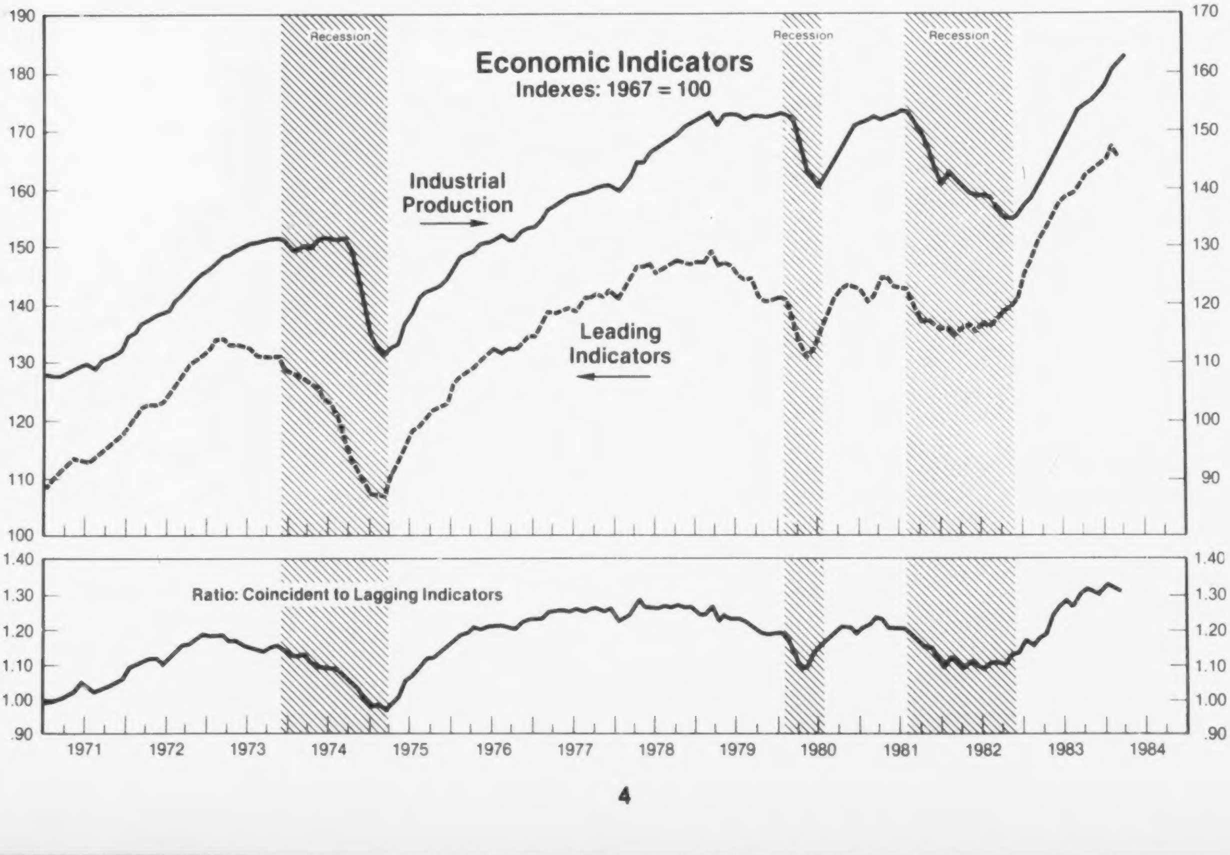
Ken Goldstein
May 14, 1984


Economic Forecast Trend
Median of 8 Forecasts

STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Mar.	X			+ 0.9%	+ 10.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Mar.	X			+ 12.6%	+ 23.2%
New orders, nondefense capital goods (deflated)	Mar.	X			+ 10.9%	+ 25.7%
*New business formation	Mar.		X		+ 1.4%	+ 4.6%
*Housing permits	Mar.		X		+ 10.6%	+ 16.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Mar.		X		— 1.2%	+ 17.0%
*Change in inventory, on hand & order (deflated)	Feb.	X			+ 3.5%	+ 41.2%
Purchasing agents' buying policy	Apr.		X		— 2 %	+ 9 %
*Vendor performance, reported slower deliveries	Mar.	X			+ 5 %	+ 22 %
Industrial raw materials prices	Apr.	X			+ 1.9%	+ 14.1%
*Change in sensitive material prices	Mar.			X	— 0.6%	— 1.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Mar.		X		+ 0.2%	+ 2.9%
Change in business loans	Mar.	X			+ 78.3%	+ 115.2%
*Change in credit outstanding	Feb.		X		+ 3.8%	+ 13.0%
Change in consumer installment debt	Feb.	X			+ 23.3%	+ 70.5%
Profitability						
Total corporate profits, after tax (deflated)	4th Q			X	— 1.5%	+ 24.5%
*Common stock prices	Apr.			X	— 5.5%	— 0.3%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.	X			+ 0.2hr	+ 1.1hr
*Initial unemployment claims (inverted)	Apr.	X			+ 3.8%	+ 25.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Mar.	1983 Dec.	1984 Jan.	1984 Feb.	1984 Mar.(e)
Principal Diffusion Index	55.8r	70.6r	72.7r	72.8r	69.2
Auxillary Diffusion Index	65.4r	44.5r	56.9r	50.3r	38.4
Industrial Group	54.3r	75.4r	77.4r	80.2r	77.1
Nonindustrial Group	57.2	65.8r	67.9r	65.4r	61.4
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	56.6	64.1r	63.0r	67.1r	68.6
Labor	52.7r	81.5r	84.7r	86.3r	78.1
Miscellaneous	56.4	76.9	80.8	84.6	87.2
Nonindustrial Subgroups					
Prices	67.3	64.1r	68.6r	57.7r	63.5
Consumer	67.1	77.4	76.1	75.2r	68.4
Building	42.3	56.4	62.8	61.5r	52.6
Miscellaneous	50.6	61.5r	62.8r	63.2r	59.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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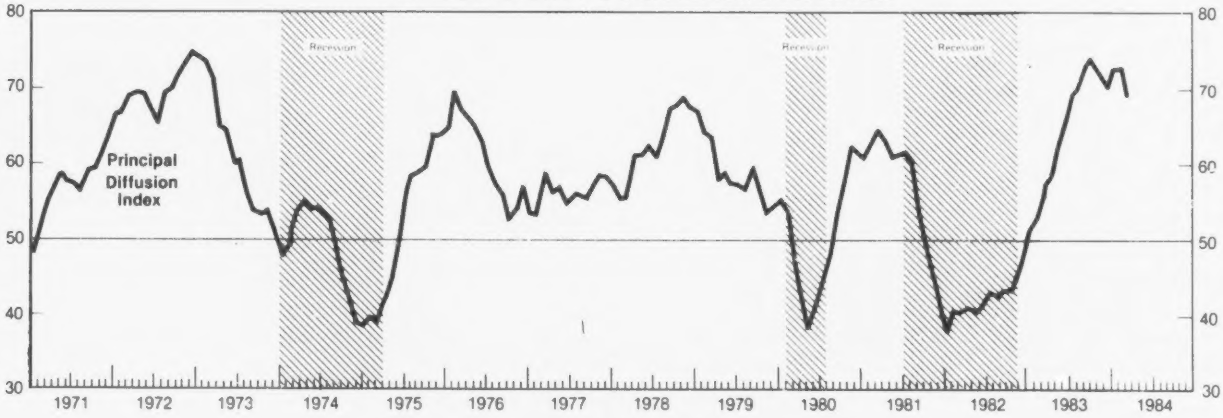
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981 Aug.	1981 Nov.	1982 Feb.	1982 May	1982 Aug.	1982 Nov.	1983 Feb.	1983 May	1983 Aug.	1983 Nov.	1984 Feb.
	Score (scale 0-100)										
Measure of Business Confidence	57	43	47	52	55	60	70	76	75	74	70
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	26	23	30	38	44	65	76	82	80	76
2. Expectations for Economy, Six Months Ahead	63	51	59	64	65	70	76	78	74	73	67
Expectations for Own Industry, Six Months Ahead	60	52	58	61	61	65	70	72	69	70	70

The Measure of Business Confidence is the average of the scores for the three primary questins in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1982			1983				Percent Change From Previous Year		
	II	III	IV	I	II	IIIr	IVp	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.025	18.439	21.488	20.176	20.633	22.200	25.071	−18	1	21
Capital expenditures	25.552	23.991	22.887	18.841	18.643	18.072	20.331	− 3	−23	23
Change in appropriations backlog*	−7.326	−8.726	−3.395	−0.716	+1.121	+1.008	+1.324			
Durable Goods										
New appropriations	7.398	7.724	8.238	8.197	9.453	8.843	11.447	−24	17	3
Capital expenditures	10.505	9.684	8.949	7.918	7.655	7.594	9.104	− 7	−19	20
Change in appropriations backlog*	−3.903	−4.556	−1.351	−0.606	+1.291	+0.929	+1.249			
Nondurable Goods										
New appropriations	12.627	11.215	13.250	11.979	11.180	13.357	13.624	−14	−9	34
Capital expenditures	15.047	14.307	13.938	10.923	10.988	10.478	11.227	0	−26	25
Change in appropriations backlog*	−3.423	−4.170	−2.044	−0.110	−0.170	+0.079	+0.075			
ELECTRIC & GAS UTILITIES										
New appropriations (r)	8.795	10.624	9.939	7.664	6.713	5.771	7.202p			
Capital expenditures (r)	8.846	8.905	9.384	9.041	9.292	9.043	8.349p			
Change in appropriations backlog* (r)	−1.825	+0.504	−4.709	−4.812	−7.024	−3.925	−3.755p			

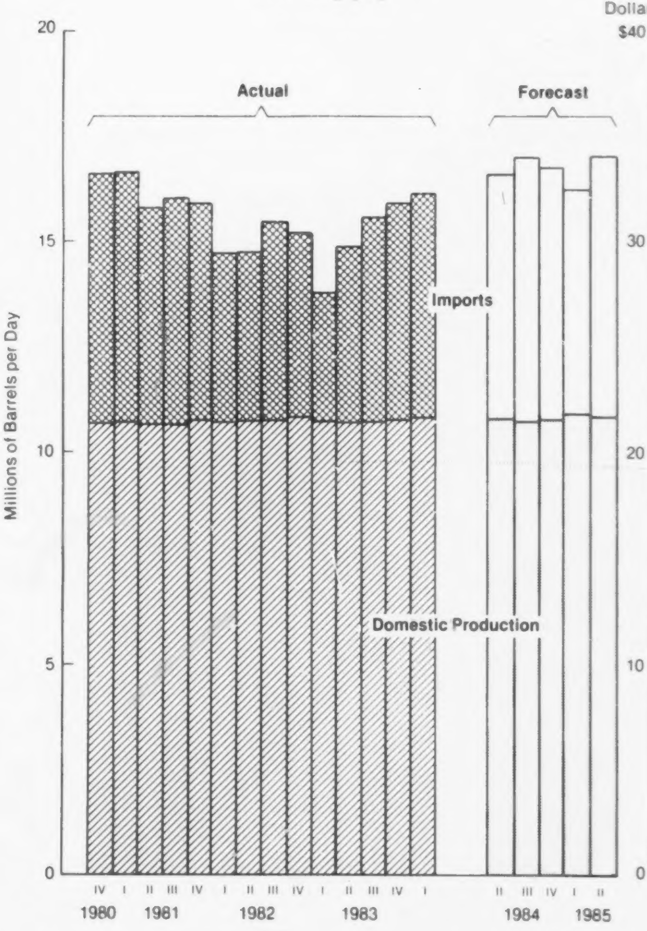
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

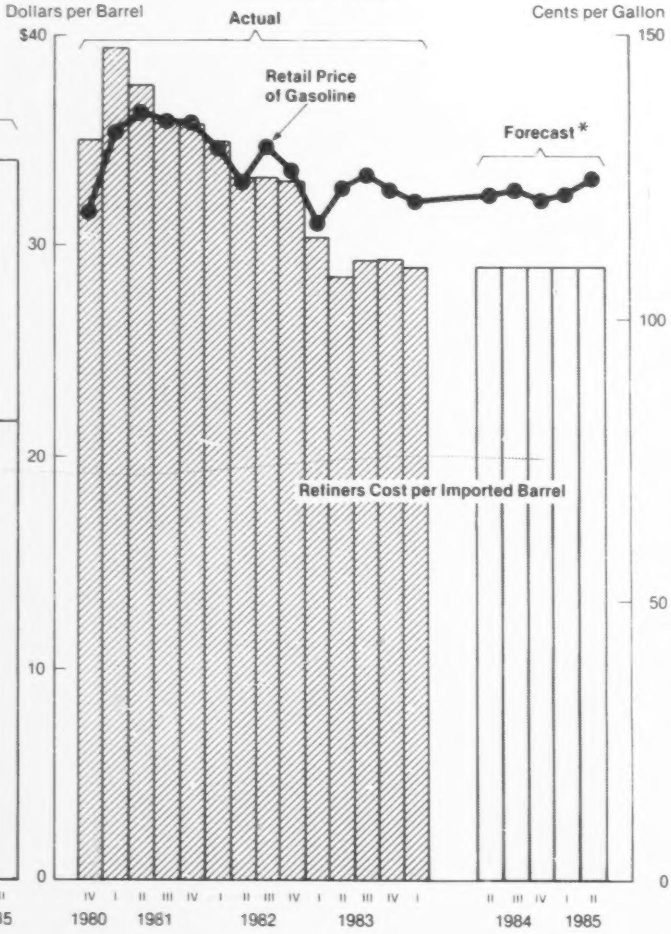
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



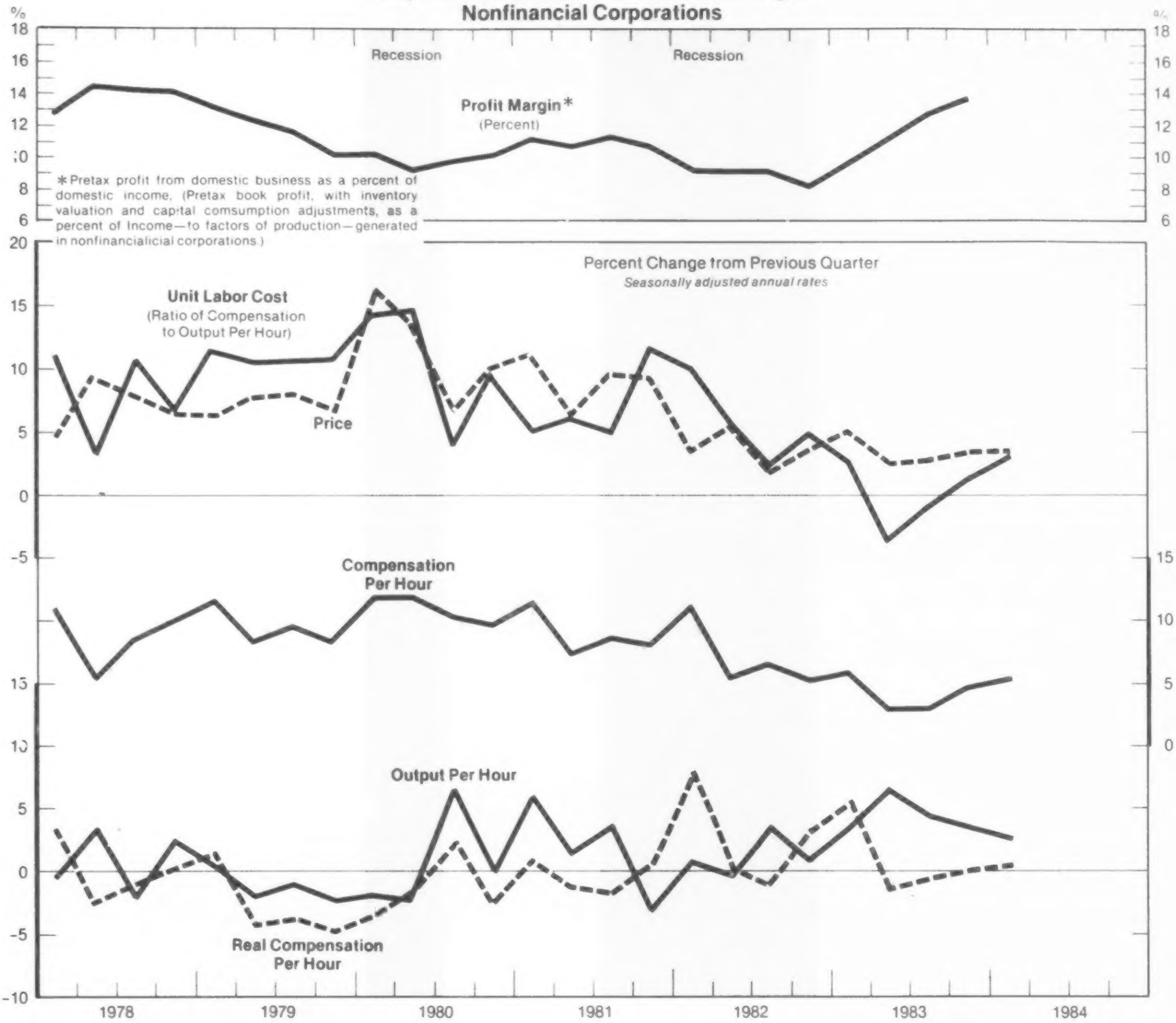
Oil Price



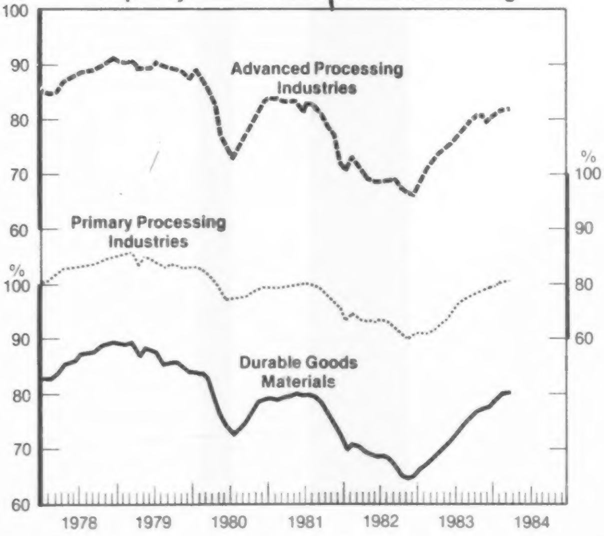
*Source: of Forecast is The Energy Information Administration, Department of Energy.

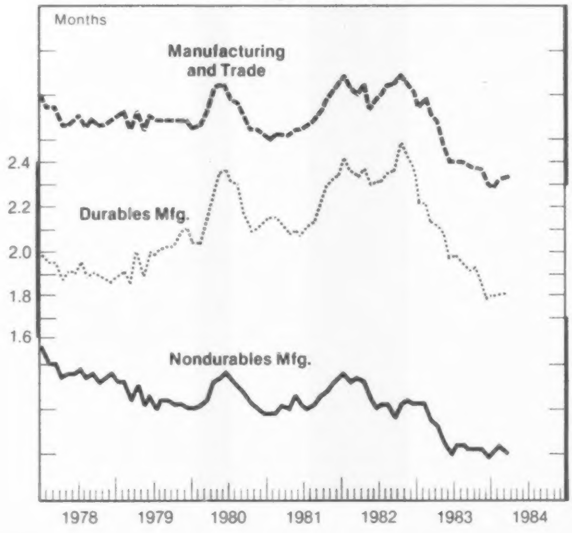
Key Determinants of Profit Margin

Nonfinancial Corporations



*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of Income—to factors of production—generated in nonfinancialicial corporations.)


Capacity Utilization Rates Manufacturing


Inventory-Sales Ratios

ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Apr., 1984*		*Apr., 1984*		*Apr., 1984*		*Apr., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**I**	**$3541.2**	**12.8%**			**$3541.2**	**12.8%**	**$3541.2**	**12.8%**
		II	3628.6	10.2	$3603.7	7.9%	3601.4	7.0	3602.6	7.1
		III	3715.6	9.9	3697.3	10.8	3670.2	7.9	3675.2	8.3
		IV	3804.6	9.9	3793.1	10.8	3748.7	8.8	3749.1	8.3
	1985	I	3887.3	9.0	3886.6	10.2	3846.6	10.9	3838.9	9.9
		II	3969.7	8.8	3975.7	9.5	3936.2	9.6	3921.0	8.8
		III	4054.0	8.8	4023.4	4.9	4029.3	9.8	3999.9	8.3
		IV	4136.9	8.4	4088.6	6.6	4121.1	9.4	4077.7	8.0
	1986	I	4216.3	7.9						
		II	4296.2	7.8						
	1984	Annual	3672.5	10.9	3657.5	10.5	3640.4	10.0	3642.2	10.0
	1985	Annual	4012.0	9.2	3993.6	9.2	3983.3	9.4	3959.4	8.7
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**I**	**$1604.3**	**8.3%**			**$1604.3**	**8.3%**	**$1604.3**	**8.3%**
		II	1624.8	5.2	$1611.2	2.5%	1615.0	2.7	1613.4	2.3
		III	1643.9	4.8	1629.4	4.6	1624.0	2.2	1624.4	2.8
		IV	1661.3	4.3	1647.1	4.4	1637.0	3.2	1636.9	3.1
	1985	I	1674.4	3.2	1660.0	3.2	1658.0	5.2	1652.3	3.8
		II	1686.0	2.8	1670.1	2.5	1675.0	4.2	1665.6	3.3
		III	1697.3	2.7	1655.1	-3.5	1693.0	4.4	1675.5	2.4
		IV	1706.6	2.2	1668.9	3.4	1710.0	4.1	1681.8	1.5
	1986	I	1714.2	1.8						
		II	1720.6	1.5						
	1984	Annual	1633.6	6.4	1622.3	5.7	1620.1	5.5	1619.8	5.5
	1985	Annual	1691.1	3.5	1663.5	2.5	1684.0	3.9	1668.8	3.0
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**I**	**220.7**	**4.1%**			**220.7**	**4.1%**	**220.7**	**4.1%**
		II	223.3	4.8	223.7	5.3%	223.0	4.2	223.3	4.7
		III	226.0	4.9	226.9	5.9	226.0	5.5	226.2	5.4
		IV	229.0	5.5	230.3	6.1	229.0	5.4	229.0	5.0
	1985	I	232.2	5.6	234.1	6.8	232.0	5.4	232.3	5.9
		II	235.5	5.8	238.1	6.9	235.0	5.3	235.4	5.4
		III	238.8	5.9	243.1	8.7	238.0	5.2	238.7	5.8
		IV	242.4	6.1	245.0	3.2	241.0	5.1	242.5	6.4
	1986	I	246.0	6.0						
		II	249.7	6.2						
	1984	Annual	224.8	4.3	225.4	4.6	224.7	4.2	224.8	4.3
	1985	Annual	237.2	5.5	240.1	6.5	236.5	5.3	237.2	5.5
Unemployment Rate										
Actual	**1984**	**I**	**7.9%**		**7.9%**		**7.9%**		**7.9%**	
		II	7.6		7.7		7.7		7.6	
		III	7.4		7.5		7.5		7.5	
		IV	7.4		7.3		7.4		7.4	
	1985	I	7.4		7.2		7.3		7.4	
		II	7.5		7.2		7.1		7.2	
		III	7.5		7.6		7.0		7.1	
		IV	7.6		7.8		6.9		7.1	
	1986	I	7.6							
		II	7.6							
	1984	Annual	7.5		7.6		7.6		7.6	
	1985	Annual	7.5		7.5		7.1		7.2	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) fourth quarter data.

[2] Based on preliminary first quarter data.

ECONOMIC FORECASTS (continued)

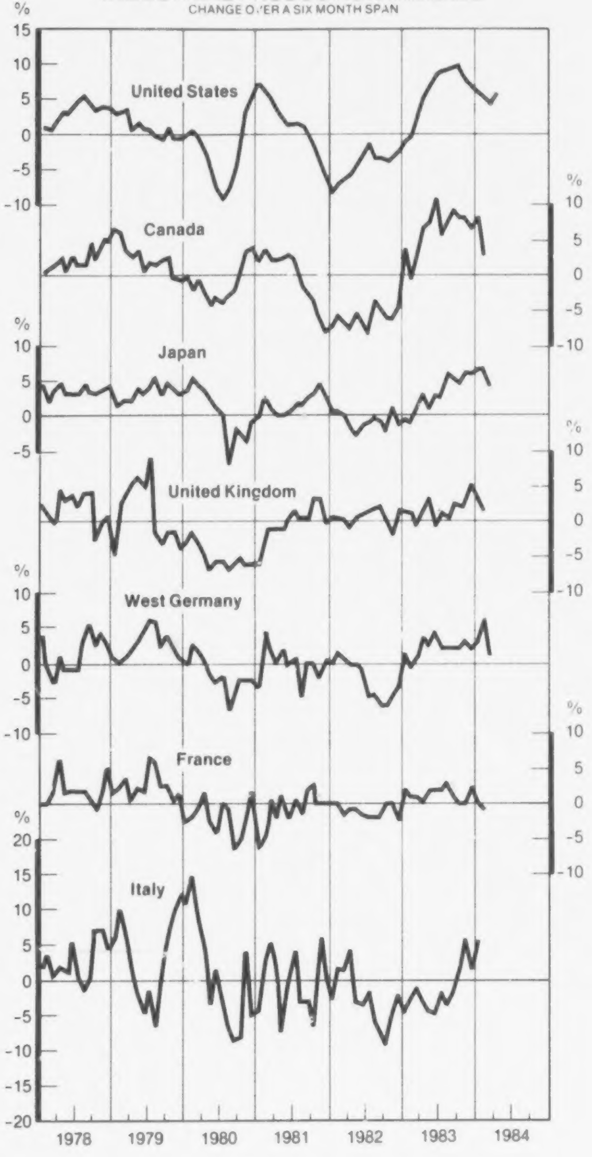
The Conference Board[2]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Apr., 1984		*Apr., 1984*		*Apr., 1984*		*Apr., 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3541.2	**12.8%**	**$3541.2**	**12.8%**	**$3541.2**	**12.8%**	**$3541.2**	**12.8%**	**I**	**1984**	**Actual**
3609.0	7.9	3599.2	6.7	3609.1	7.9	3615.1	8.6	II		
3691.0	9.4	3685.2	9.9	3683.7	8.5	3700.0	9.7	III		
3766.0	8.4	3767.5	9.2	3746.8	7.0	3777.1	8.6	IV		
3812.0	5.0	3845.9	8.6	3815.5	7.5	3861.5	9.2	I	1985	
3895.0	9.0	3899.4	5.7	3881.1	7.1	3929.1	7.2	II		
4009.0	12.2	3960.1	6.4	3958.7	8.2	4001.4	7.6	III		
4115.0	11.0	4038.7	8.2	4047.9	9.3	4062.3	6.2	IV		
		4139.0	10.3	4133.8	8.8	4110.6	4.8	I	1986	
		4245.1	10.7	4222.1	8.8	4169.2	5.8	II		
3651.8	10.3	3648.3	10.2	3645.2	10.1	3658.4	10.5	Annual	1984	
3957.8	8.4	3936.0	7.9	3925.8	7.7	3963.6	8.3	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1604.3	**8.3%**	**$1604.3**	**8.3%**	**$1604.3**	**8.3%**	**$1604.3**	**8.3%**	**I**	**1984**	**Actual**
1615.6	2.8	1615.7	2.9	1619.2	3.8	1618.9	3.7	II		
1630.3	3.7	1633.4	4.5	1634.8	3.9	1636.9	4.5	III		
1638.4	2.0	1649.4	4.0	1643.6	2.2	1651.0	3.5	IV		
1637.2	-.3	1658.9	2.3	1651.7	2.0	1663.5	3.1	I	1985	
1650.5	3.3	1659.5	.1	1659.4	1.9	1671.5	1.9	II		
1673.1	5.6	1662.4	.7	1671.0	2.8	1680.2	2.1	III		
1691.2	4.4	1670.7	2.0	1684.7	3.3	1682.6	.6	IV		
		1683.8	3.2	1696.3	2.8	1676.1	-1.5	I	1986	
		1699.9	3.9	1708.8	3.0	1674.6	-.4	II		
1622.1	5.7	1625.7	5.9	1625.5	5.9	1627.8	6.0	Annual	1984	
1663.0	2.5	1662.9	2.3	1666.7	2.5	1674.5	2.9	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
220.7	**4.1%**	**220.7**	**4.1%**	**220.7**	**4.1%**	**220.7**	**4.1%**	**I**	**1984**	**Actual**
223.4	4.9	222.8	3.7	222.9	4.0	223.3	4.7	II		
226.4	5.5	225.6	5.2	225.3	4.4	226.0	5.0	III		
229.9	6.3	228.4	5.1	228.0	4.8	228.6	4.9	IV		
232.8	5.3	231.8	6.1	231.0	5.4	232.1	6.0	I	1985	
236.0	5.5	235.0	5.5	233.9	5.1	235.1	5.2	II		
239.6	6.3	238.2	5.6	236.9	5.3	238.2	5.4	III		
243.3	6.3	241.7	6.0	240.3	5.8	241.4	5.6	IV		
		245.8	6.9	243.7	5.8	245.2	6.5	I	1986	
		249.7	6.5	247.1	5.7	249.0	6.2	II		
225.1	4.4	224.4	4.1	224.2	4.0	224.7	4.2	Annual	1984	
237.9	5.7	236.7	5.5	235.5	5.0	236.7	5.3	Annual	1985	
								Unemployment Rate		
7.9%		**7.9%**		**7.9%**		**7.9%**		**I**	**1984**	**Actual**
7.7		7.5		7.6		7.7		II		
7.6		7.3		7.4		7.5		III		
7.6		7.2		7.4		7.3		IV		
7.8		7.3		7.4		7.2		I	1985	
7.7		7.4		7.5		7.2		II		
7.4		7.7		7.5		7.3		III		
7.2		8.[illegible]		7.6		7.4		IV		
		8.2		7.6		7.6		I	1986	
		8.1		7.6		7.9		II		
7.7		7.4		7.5		7.6		Annual	1984	
7.5		7.6		7.5		7.3		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

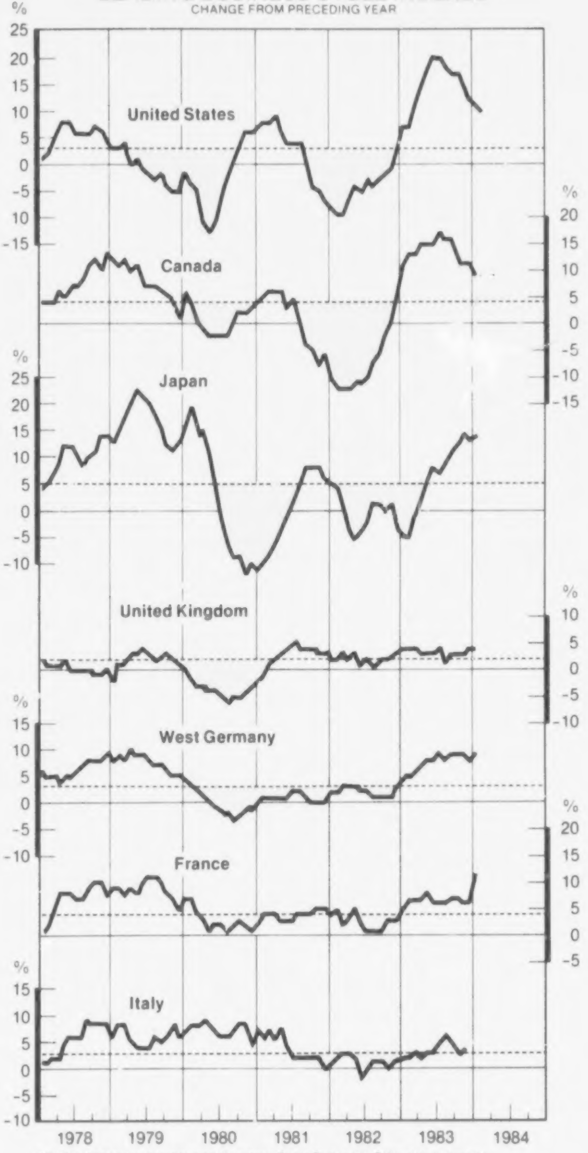
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



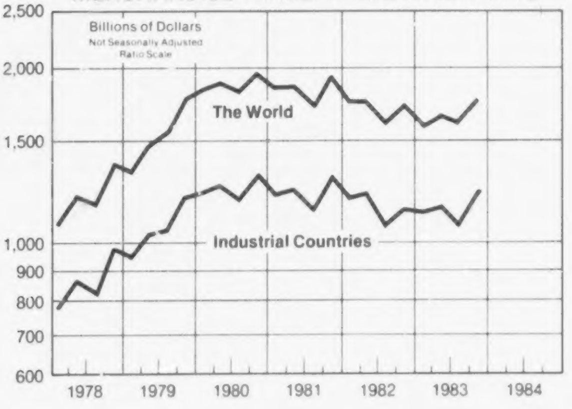
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

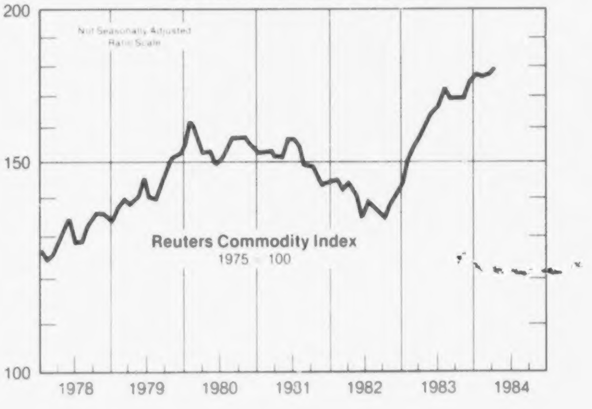


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

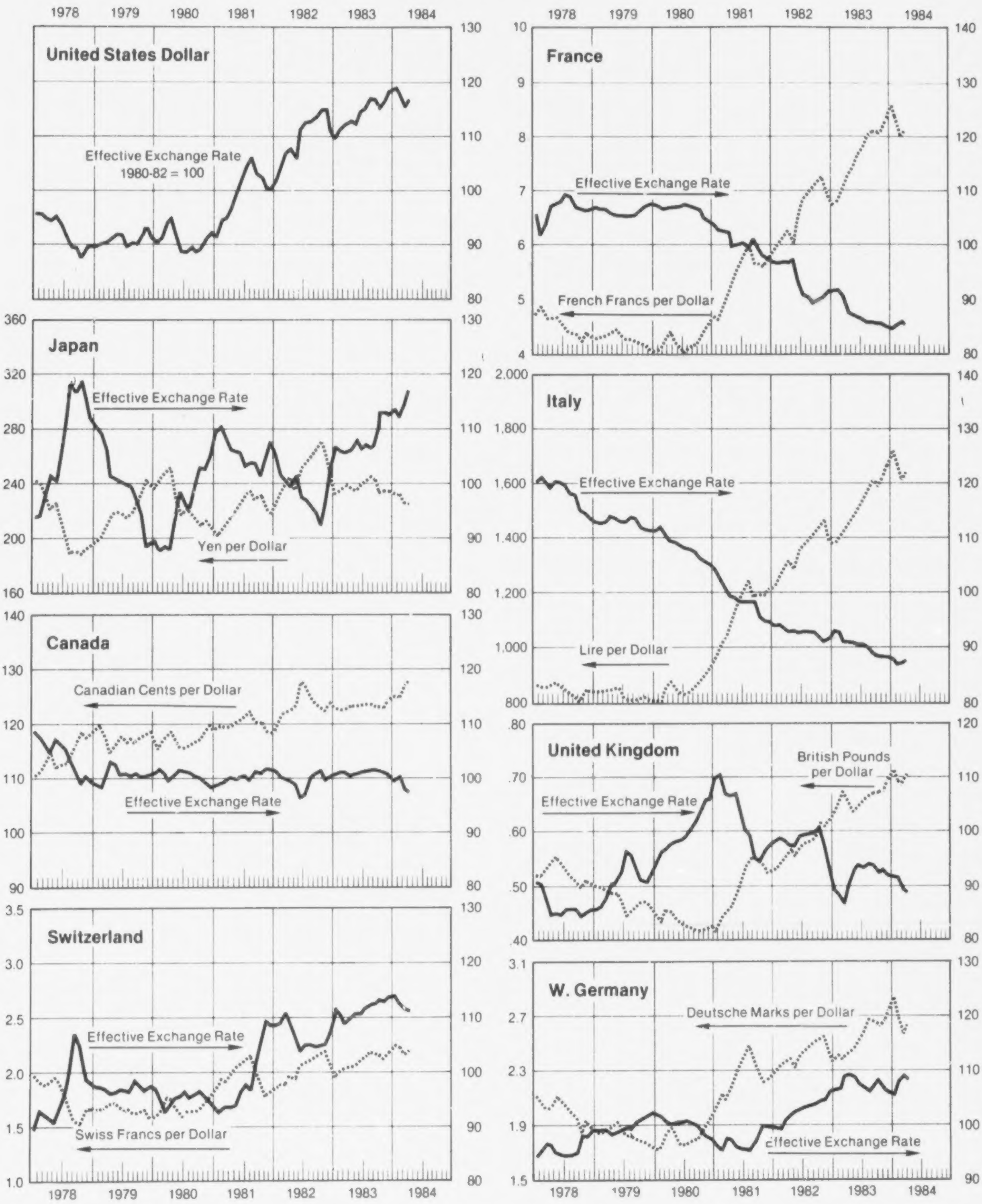


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



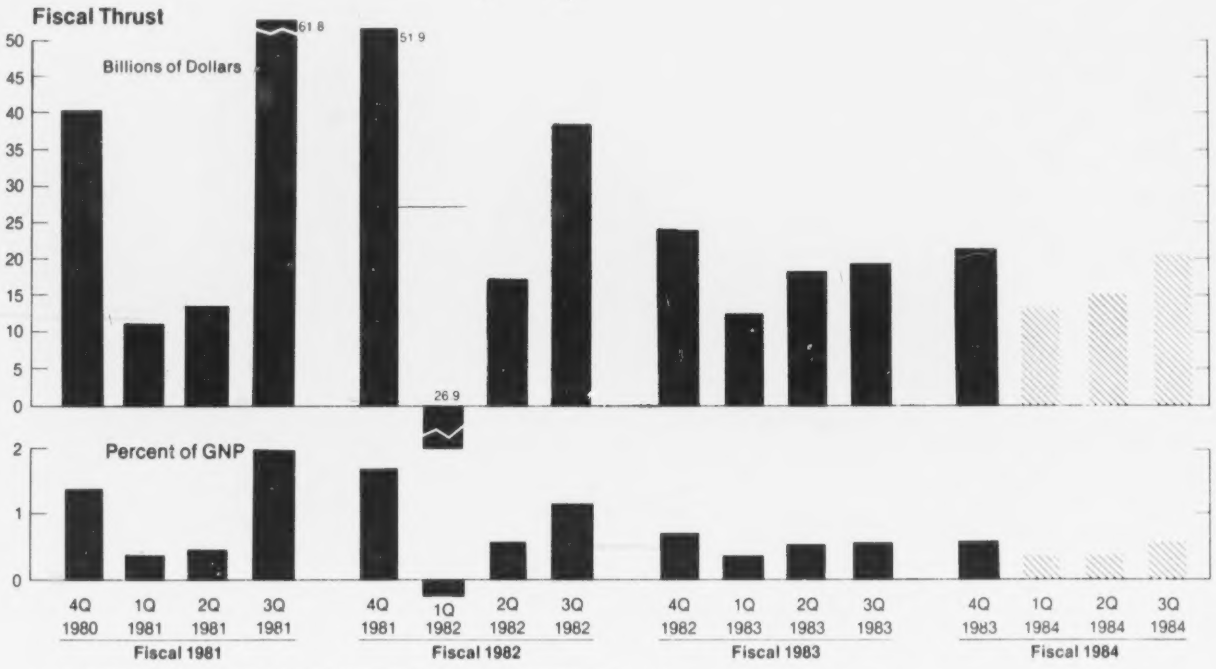
Note Nominal Effective Exchange Rates: Index numbers 1980-82 = 100 Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source Morgan Guaranty Trust Co

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

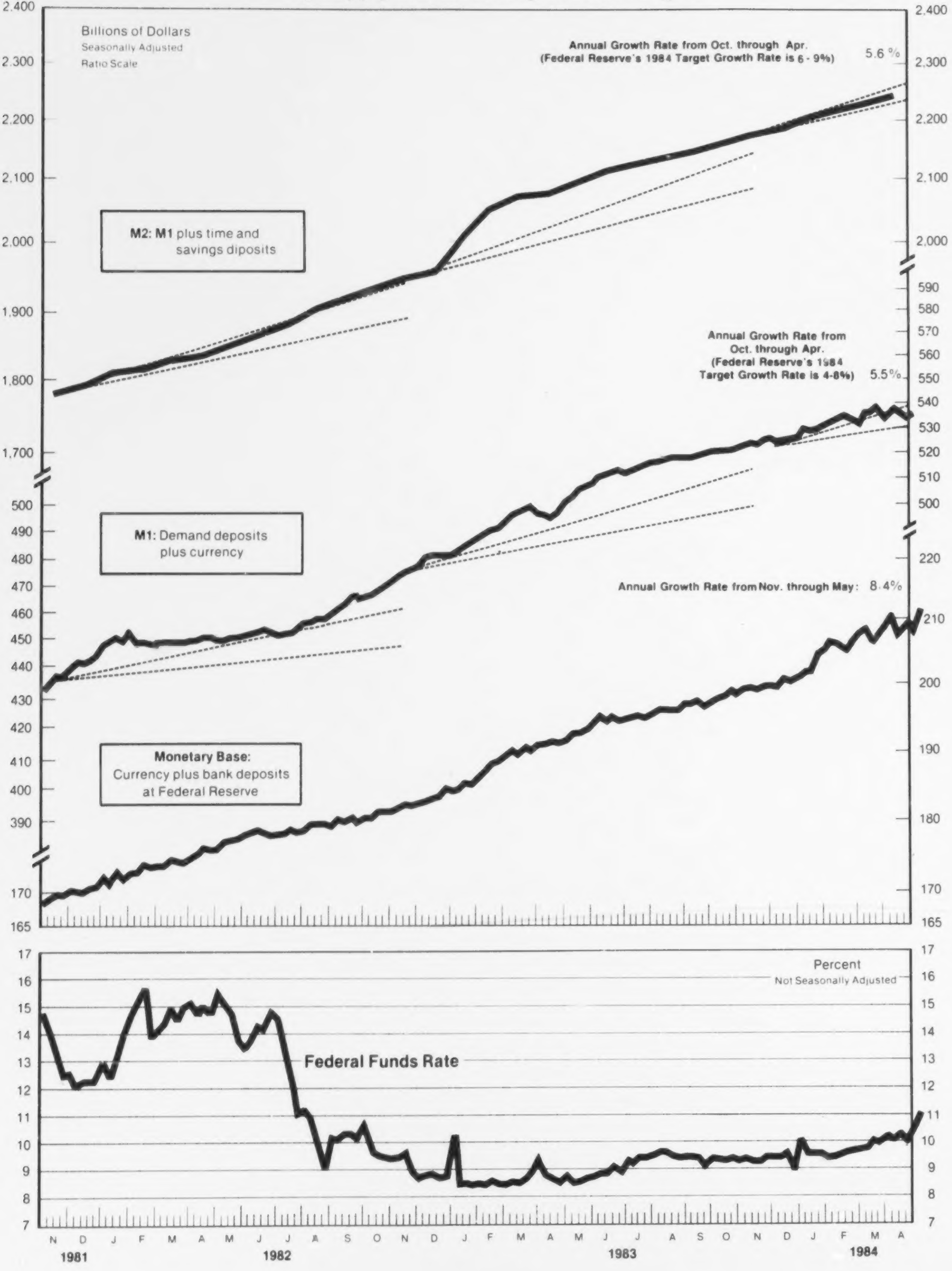
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(4/10/84)	(2/7/84)	(2/1/84)	(4/10/84)	(2/7/84)
Receipts	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Outlays	**796.0**	**850.5**	**853**	**944.9**	**932.0**	**927**
Deficit	**-195.0**	**-177.8**	**-190**	**-207.7**	**-179.0**	**-193**
Receipts by source	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Individual income taxes	288.9	296.0	294	323.4	331.9	329
Corporate income taxes	37.0	65.7	62	75.5	77.0	65
Social insurance	209.0	241.5	237	269.0	271.2	269
Other receipts	65.7	69.5	70	69.4	73.0	71
Outlays by function	**796.0**	**850.5**	**835**	**944.9**	**932.0**	**927**
National defense	209.9	237.6	235	284.2	272.0	263
Social security and medicare	223.3	239.6	241	261.4	259.6	260
Income security	122.2	95.1	97	116.9	112.7	115
Health	28.7	30.5	31	34.4	32.7	34
Education and manpower	26.6	28.4	28	29.0	28.0	29
Transportation	21.4	25.9	27	27.4	27.0	27
Veterans' benefits	24.8	26.0	26	26.6	26.6	26
International affairs	9.0	13.1	11	14.1	17.6	12
National resources and environment	12.7	12.4	12	11.8	11.5	12
Agriculture	22.2	9.6	10	14.3	16.5	12
General science	7.7	8.2	8	8.4	8.7	9
Community development	6.9	7.5	8	7.7	7.7	8
Revenue sharing	6.5	6.7	7	6.8	6.6	7
General government	4.8	5.4	6	5.7	5.7	6
Justice	5.1	5.9	6	6.2	6.1	6
Energy	4.0	2.6	3	3.4	2.8	4
Commerce and housing credit	4.4	3.1	4	1.6	0.6	3
Interest	89.8	109.5	108	117.9	123.0	127
Allowances			1	1.5	0.9	1
Undistributed offsetting receipts	-34.0	-16.5	-16	-34.6	-34.4	-34

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB 81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



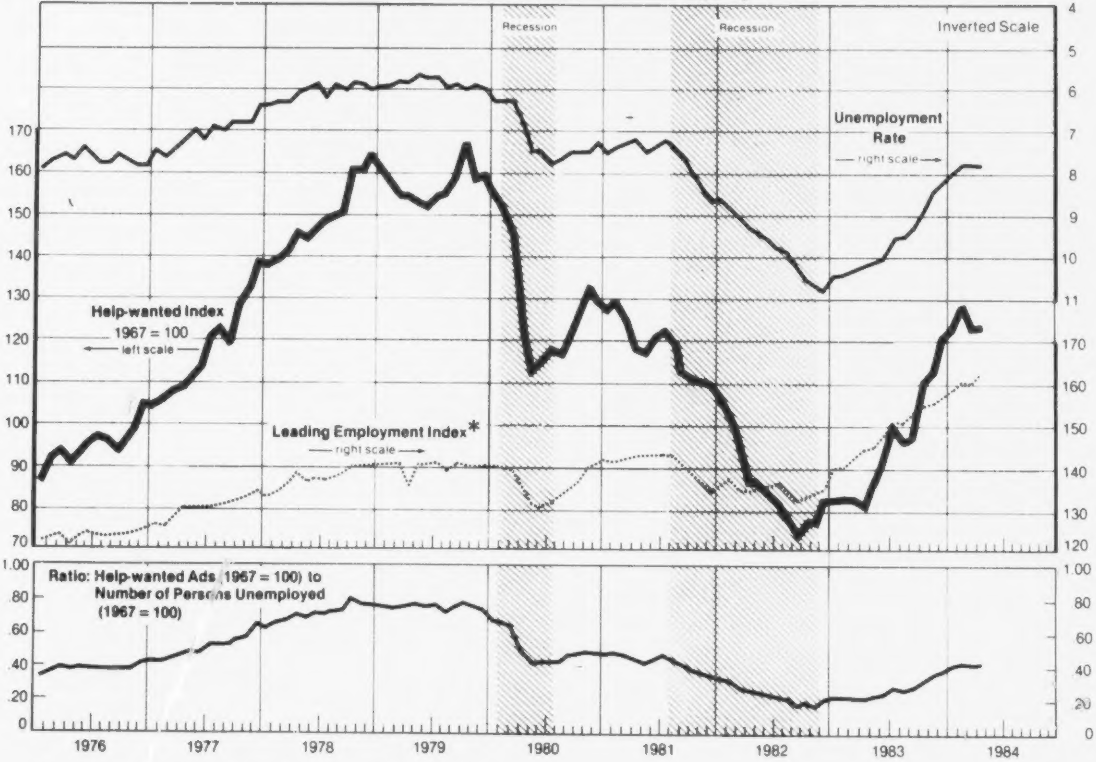
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	Mar.	Feb.	Jan.	Mar.
Total Index 51 papers	124	129	123	83
New England	133	134	128r	89
Boston	151	153	145	103
Hartford	121	124	125	81
Providence	84	78	75r	51
Middle Atlantic	57	58	57	43
Albany	124	124	119	78
Allentown	123	141	151	87
New York	50	50	48	39
Philadelphia	49	52	51	37
Pittsburgh	52	56	55	45
Rochester	63	67	67	45
Syracuse	82	85	82	58
East North Central	71	76	70	44
Chicago	90	92	81	42
Cincinnati	87	93	86	67
Cleveland	44	50	50	35
Columbus	91	102	103	72
Dayton	57	59	55	45
Detroit	53	52	50	35
Gary	83	99	95	85
Indianapolis	58	82	68	40
Milwaukee	50	51	51	33
Toledo	78	96	92	62
West North Central	73	78	76	46
Kansas City	94	100	98	64
Minneapolis	68	73	73	34
Omaha	114	111	114	83
St. Louis	54	60	55	37
South Atlantic	149	157	145	98
Atlanta	261	265	270	148
Baltimore	93	128	88	65
Charlotte	141	131	129	85
Jacksonville	195	173	166	142
Miami	94	86	83	72
Richmond	86	87	82	62
Washington, D.C.	151	162	147	102
East South Central	117	122	122	86
Birmingham	116	123	127	90
Knoxville	184	184	170	139
Louisville	61	67	69	50
Memphis	108	111	102	73
Nashville	155	161	176	110
West South Central	271	286	278	188
Dallas	389	416	386	224
Houston	343	352	358	250
New Orleans	129	140	127	105
Oklahoma City	117	150	156	122
San Antonio	201	193	186	145
Tulsa	137	139	143	105
Mountain	282	302	276	167
Denver	208	215	185	134
Phoenix	409	428	374	212
Salt Lake City	246	295	317	166
Pacific	186	188	181	125
Los Angeles	150	153	147	100
Sacramento	290	301	306	201
San Bernardino	146	158	165	101
San Diego	380	382	360	243
San Francisco	188	183	170	120
Seattle	185	186	182	146
Percentage of papers with rising volume	16%	63%	57%r	39%
Unemployment rate	7.8%	7.8%	8.0%	10.3%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

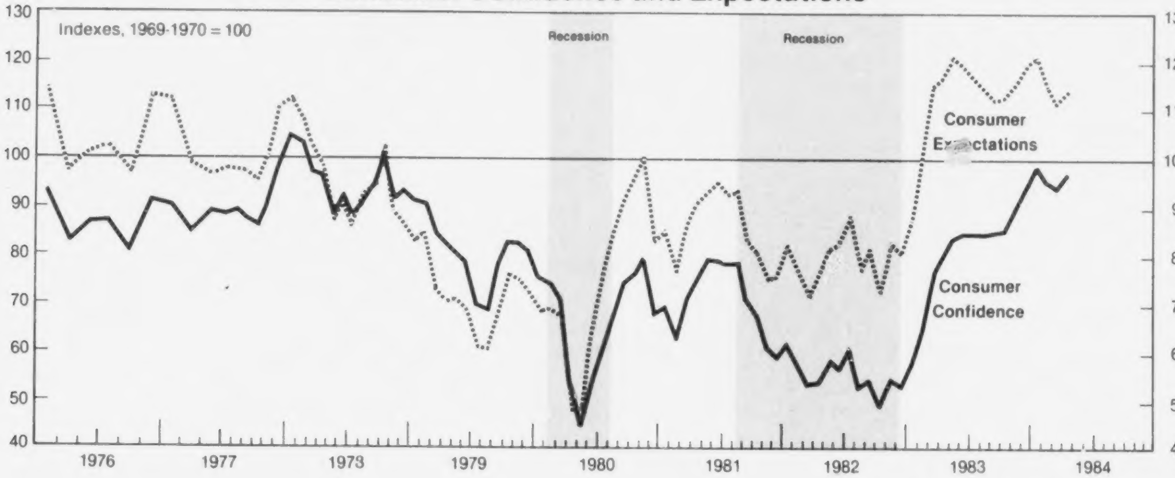
	Jan	Feb.	Mar	Apr	May	June	July	Aug.	Sept.	Oct	Nov.	Dec
Consumer Confidence Index												
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5r	97.9p								
Buying Plans Index												
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9r	96.8p								

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



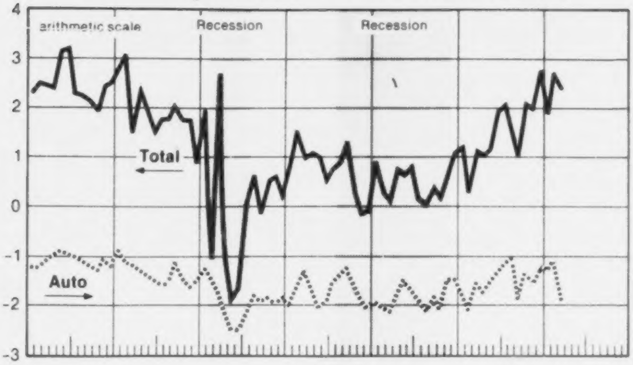
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

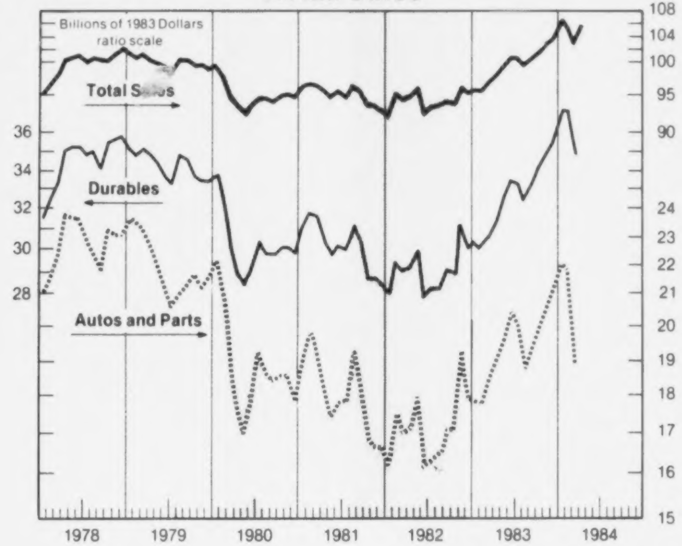
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	**IV**	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	**I**	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	**I**	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	**I**	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	**Ir**	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised


Consumer Installment Debt Expansion ÷ Personal Income


Retail Sales

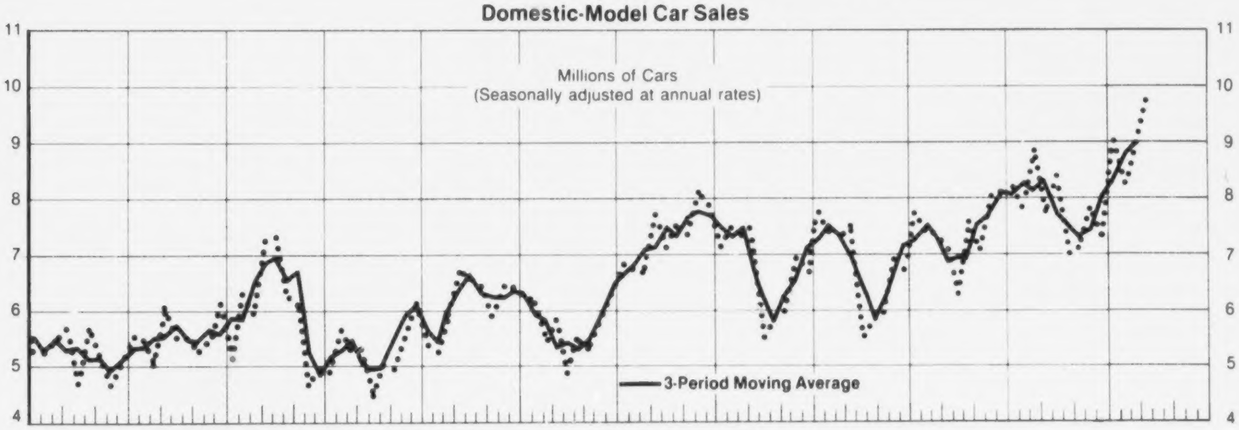
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

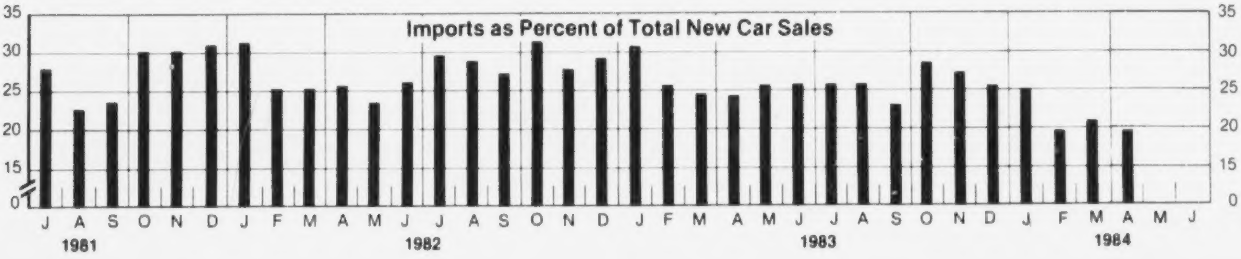
Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	
	21-31	5.94	6.25	7.55	
June:	1-10	6.09	6.10	7.34	
	11-20	5.99	4.68	8.12	
	21-30	6.06	4.94	7.88	
July:	1-10	6.09	4.92	7.16	
	11-20	6.47	5.61	7.42	
	21-31	5.89	5.30	7.37	
August:	1-10	7.31	5.35	7.51	
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales




Imports as Percent of Total New Car Sales

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STATISTICAL BULLETIN

SPECIAL SURVEY INSIDE

Volume 17, No. 6, June, 1984

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The Conference Board

COMMENT

Over the past few months, we have been saying in this space that economic expansion is gradually being boxed in by the twin deficits—in the Federal Government's budget and in international trade—and by the corrosive twin agents of rising real interest rates and an overvalued dollar in international-exchange markets. Sustained high operating rates should be added to this list of problems. The capacity utilization rate for advanced-processing manufacturers first went above the 80% mark in October, 1983, and has remained in the 80% to 85% range ever since. It was 82.2% in April, 1984. Business has historically found it very difficult to achieve a higher capacity-use rate than this for any length of time. The limited ability of firms to increase operating rates much beyond current levels acts as a constraint on the pace of economic expansion. That pace slowed significantly in the second quarter of 1984, as the transition from a consumer-led recovery to an investment-sustained expansion was completed. The outlook, then, is that the momentum of expansion will be gradually eroded over the next few quarters as these constraints result in a period of sluggish business conditions—but not a recession—in 1985.

The surge in consumer buying due to the release of pent-up demand appears to have come to an end. Retail sales, adjusted for inflation, grew very little in the first five months of this year, a marked contrast with the almost 1% per month gain sustained all through 1983. It is difficult to believe that the demand for furniture, appliances and cars, which was bottled up for three years from 1980 to 1982, was completely spent in that one year. A more likely explanation is that the consumer is once again waiting for the dust to settle before incurring the obligations tied to purchasing big-ticket items. Inflation has remained well in check. The real spending power of wages, however, has grown very slowly and consumer attitudes reflect skepticism about any acceleration in the rise of spending power in the near term.

For the past year, real disposable income has been rising at only about half the rate of consumer spending, and that growth is more attributable to big increases in employment than to gains in individual paychecks. As shown on the *Key Determinants of Profit Margins* chart, real compensation per hour has declined in the last four consecutive quarters even though price increases remained subdued.

With income growing at a much slower pace than consumer buying, many purchases were obviously financed with credit. As suggested by the steep rise in the *Consumer Installment Debt Expansion to Personal Income* ratio over the last year, consumers were telling opinion pollers that they felt very positive about continued strong economic expansion and endorsed that vote of confidence right on the bottom of the credit-card charge slip. More recent soundings from these attitude surveys show a little erosion in that strong vote of confidence. The Conference Board's *Consumer Confidence Index* first reached a level of 95.1 (1969-1970 = 100) in December, 1983. It has continued to hover around that level all through the first half of 1984. However, the *Expectation Index*, a component of the overall series, stood at 119.9 in December but then slowly cooled to 109.4 by May, 1984. Given that reduced vote of confidence in continued strong expansion, consumers will likely turn a little more cautious about incurring new debt obligations. That suggests that they will not step up their buying very much this Summer unless the real spending power of their paychecks begins to rise more sharply.

While the surge in consumer buying appears to be over at the moment, the boom in business investment seems to be in full swing. According to the Conference Board's *Capital Appropriations and Expenditures* survey, the nation's 1,000 largest manufacturers increased their appropriations sharply in the first quarter of 1984, the fourth consecutive strong quarterly rise. Spending plans rose by almost 60% cumulatively in this four-quarter span, excluding the volatile petroleum refining industry; hence, the backlog of already approved but as yet unexpended plans has risen dramatically. Thus, the surge in business investment has already successfully completed the first hurdles on the course toward modernizing and expanding productive capacity. Nor will the high level of borrowing costs take much wind out of the sails of this boomlet. Survey respondents said that they expect to step up their capital spending by a full 25% this year and be able to finance up to 90% of that out of internal cash flow—reflecting a strong recovery in profits and accelerated depreciation.

A flood of new orders for consumer goods and business equipment—and commitments to restock inventory—streaming into the industrial base is keeping production facilities hopping. Industrial production expanded by a sizable 1.1% in March, and 0.4% in April. One of the keys to expanding production despite a lack of idle resources has been continued good productivity growth.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
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Ottawa, Ontario, K1L-6R3, Canada

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New York, New York 10022

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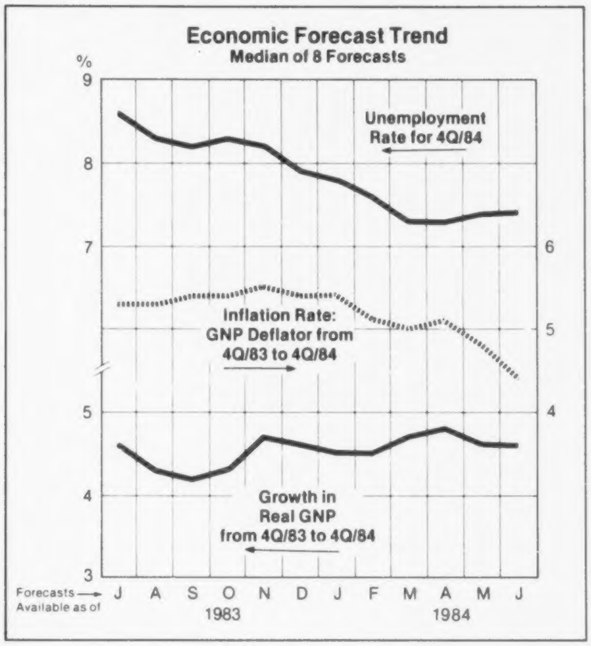

Economic Forecast Trend
Median of 8 Forecasts

The data on *Key Determinants of Profit Margins* show that output per hour rose by annual rate of 1.9% in the first quarter of 1984, and it is very likely that it grew by that much, or perhaps even a little more, in the second quarter. Strong capital investment now is the key to maintaining productivity growth, which, in turn, helps to keep production rising and the economic expansion from peaking too soon.

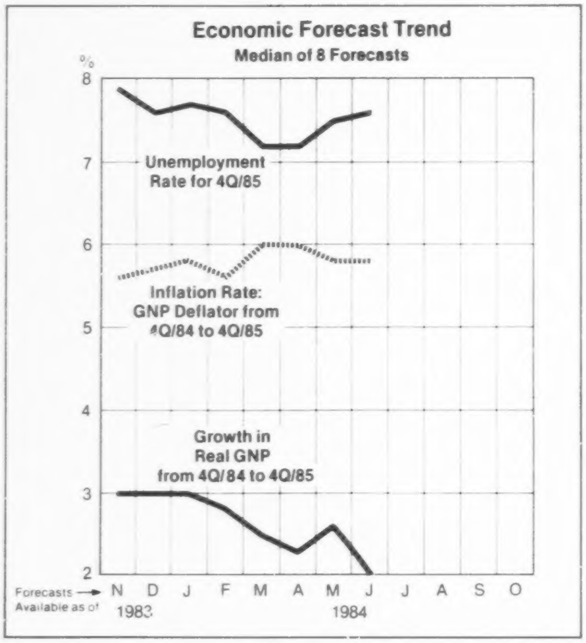
Real GNP grew by a seasonally adjusted 8.8% annual rate in the first quarter of 1984, but voluntary inventory buildup accounted for considerably more than half of that. Final sales (GNP less the change in inventory) rose at only a 3.2% rate. Anticipating a sharp cut in the rate of inventory accumulation, the *Economic Forecasts* for real output growth in the second quarter ranged from 2.3% to 5.2% in April, with a median forecast of 2.8 percent. In May, however, it became evident that while restocking of inventory had slowed from the torrid pace set at the beginning of the year, it was still quite active. The revised *Economic Forecasts* show a range of 2.0% to 5.2% for real growth in the second quarter, with the median moved up to 3.9 percent. Further, the forecasts indicate that that fairly strong pace of expansion will be maintained in the second half of the year, with median real output growth rates of 4.0% and 3.0% in the third and fourth quarters, respectively.

The *Economic Forecasts* indicate that the pace of expansion will slow considerably in 1985 due to the high level of interest rates (even if they do not rise any further this year), tax hikes (very likely to be enacted quickly when the new Congress convenes early next year), and some decline in the value of the dollar (which may not occur until late 1985). The median forecast for real growth slows to 2.4% in the first quarter of 1985, and to only 1.4% in the second quarter. Real GNP growth is then expected to recover to a 2.2% rate in the second half of 1985, and to about 3% in the first half of 1986.

The expected slower pace of activity implies that the unemployment rate is not going to decline very much from its current 7.5% level. The Conference Board's *Help-wanted Index,* which stood at 123 (1967 = 100) in February, had moved up only to 125 by April, and early returns suggest that it remained there in May. That flat trend in job advertising indicates that employers sense little need to seek out potential job applicants aggressively. The *Economic Forecasts* indicate that the unemployment rate will improve only to 7.3% by the first quarter of 1985, but then gradually move back toward 8% by the second quarter of 1986 (last quarter in the forecast horizon).

These economic projections of a sharply reduced rate of expansion reflect expectations of sustained monetary and fiscal restraint. That restraint is not likely to be relaxed while markets continue to reflect concern about a new outbreak of inflation. Raw material prices, including food prices, are presently rising at a 6% annual rate or less. The data on *Key Determinants of Profit Margins* show that unit labor costs rose by an annual rate of only 2.4% in the first quarter of 1984, and that was considerably more than experienced in the prior four quarters. Inflation, then, is not under pressure from rising costs for either material or labor and the likelihood is that significant cost pressure will not develop through the forecast horizon. The *Economic Forecasts* indicate that the GNP deflator, which rose by an annual rate of 3.7% in the first quarter of 1984, will be rising at a rate of about 5½% by the first quarter of 1985, and will reach 6.2% by the first quarter of 1986.

Ken Goldstein
June 12, 1984

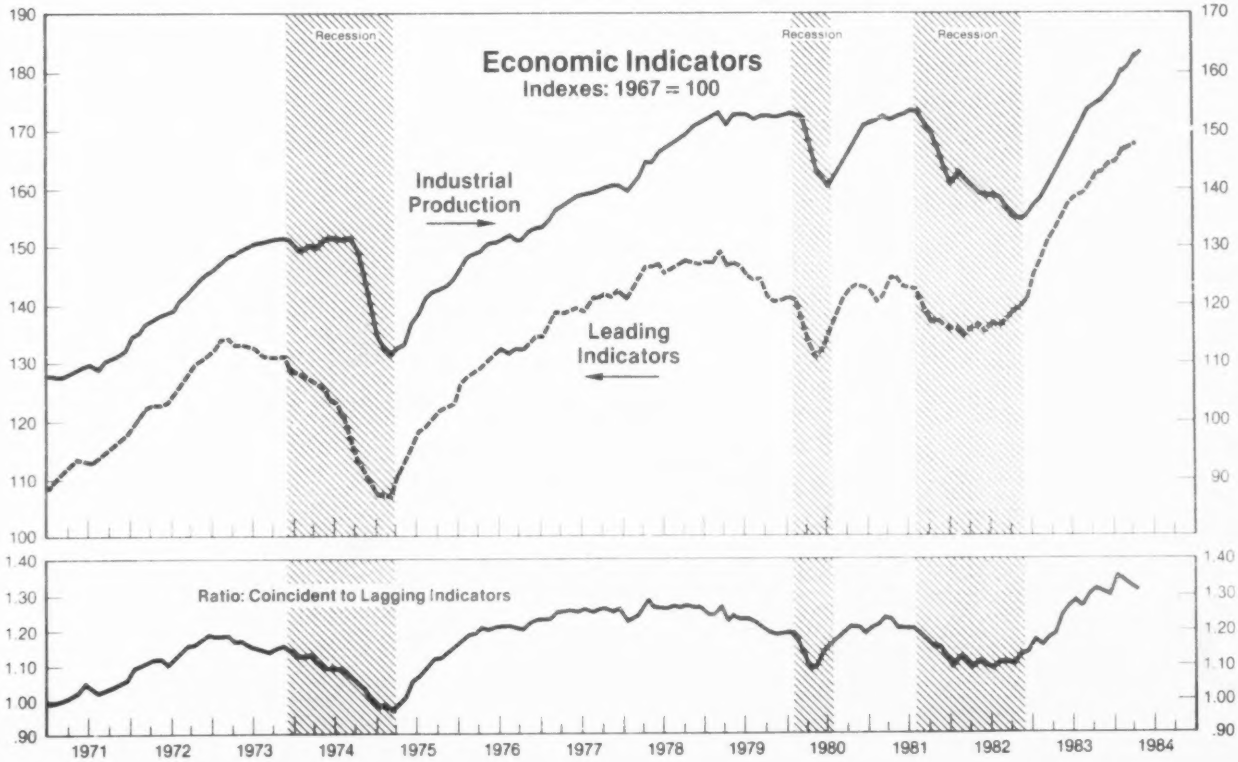

Economic Forecast Trend
Median of 8 Forecasts

STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Apr.	X			+ 1.9%	+ 10.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Apr.	X			+ 7.1%	+ 16.8%
New orders, nondefense capital goods (deflated)	Apr.		X		+ 0.6%	+ 11.4%
*New business formation	Apr.		X		+ 2.0%	+ 5.5%
*Housing permits	Apr.		X		— 2.3%	+ 13.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Apr.			X	— 4.9%	+ 14.8%
*Change in inventory, on hand & order (deflated)	Mar.	X			+ 10.2%	+ 38.6%
Purchasing agents' buying policy	May			X	— 2 %	+ 9 %
*Vendor performance, reported slower deliveries	Apr.	X			+ 8 %	+ 19 %
Industrial raw materials prices	Apr	X			+ 2.1%	+ 15.1%
*Change in sensitive material prices	Apr.			X	— 0.4%	— 1.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Apr.	X			+ 0.6%	+ 3.1%
Change in business loans	Apr.	X			+ 90.0%	+ 135.1%
*Change in credit outstanding	Mar.		X		+ 0.3%	+ 22.0%
Change in consumer installment debt	Mar.		X		+ 1.1%	+ 35.2%
Profitability						
Total corporate profits, after tax (deflated)	1st Q	X			+ 3.6%	+ 35.2%
*Common stock prices	May		X		+ 0.7%	— 3.5%
Marginal Employment Adjustments						
*Average workweek, mfg.	May		X		+ 0.2hr	+ 0.7hr
*Initial unemployment claims (inverted)	May			X	+ 1.4%	+ 22.7%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



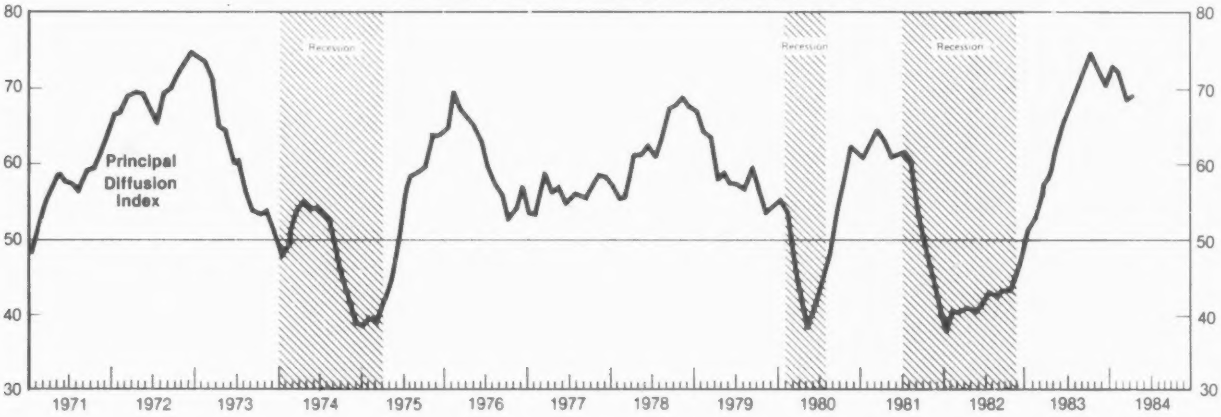
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Apr.	1984 Jan.	1984 Feb.	1984 Mar.	1984 Apr.(e)
Principal Diffusion Index	57.7	72.8r	72.1r	68.2r	68.9
Auxillary Diffusion Index	56.4	56.9r	47.8r	37.4r	52.4
Industrial Group	57.4	77.4	78.7r	74.9r	72.4
Nonindustrial Group	58.1	68.1r	65.5r	61.5r	65.5
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	58.5	63.0	62.0r	61.3r	66.2
Labor	54.0	84.7	86.3	78.1	75.3
Miscellaneous	64.1	80.8	84.6	87.2	74.4
Nonindustrial Subgroups					
Prices	66.0	68.6	57.7	63.5	69.2
Consumer	67.1	76.5r	75.6r	68.8r	73.1
Building	43.6	62.8	61.5	60.3r	58.3
Miscellaneous	53.4	62.8	63.2	53.8r	60.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981	*1982*			*1983*				*1984*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	43	47	52	55	60	70	76	75	74	70	65
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	26	23	30	38	44	65	76	82	80	76	75
2. Expectations for Economy, Six Months Ahead	51	59	64	65	70	76	78	74	73	67	60
Expectations for Own Industry, Six Months Ahead	52	58	61	61	65	70	72	69	70	67	61

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

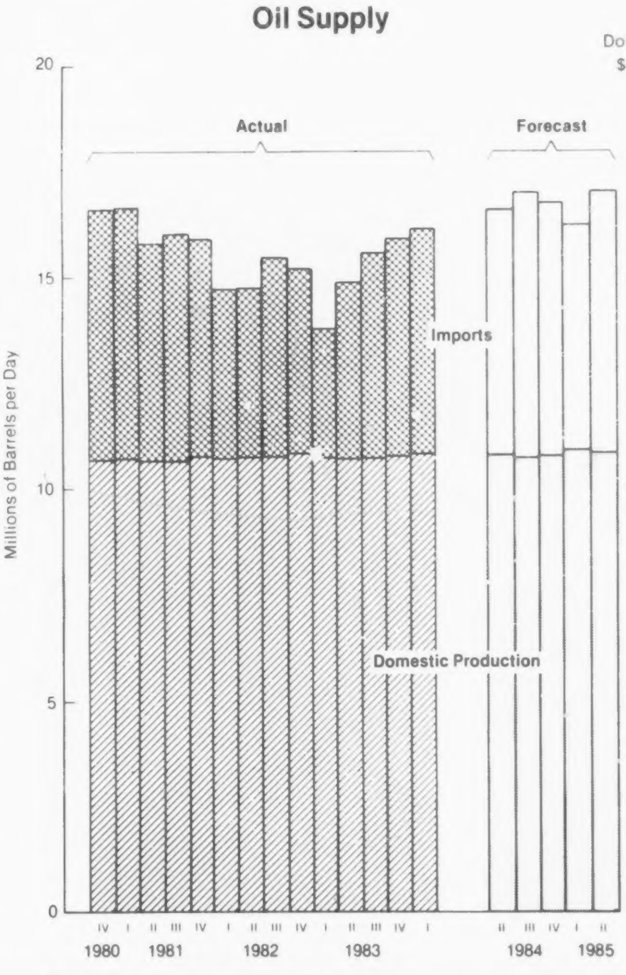
	1982		1983				1984	Percent Change From Previous Year		
	III	IV	I	II	III	IVr	Ip	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	18.439	21.488	20.176	20.633	22.200	25.170	27.880	−18	1	17
Capital expenditures	23.991	22.867	18.841	18.643	18.072	20.033	19.585	−3	−23	25
Change in appropriations backlog*	−8.726	−3.395	−0.716	+1.121	+1.008	+1.503	+6.330			
Durable Goods										
New appropriations	7.724	8.233	8.197	9.453	8.843	11.331	13.927	−24	17	6
Capital expenditures	9.684	8.949	7.918	7.655	7.594	8.919	8.620	−7	−19	31
Change in appropriations backlog*	−4.556	−1.351	−0.606	+1.291	+0.929	+1.112	+4.306			
Nondurable Goods										
New appropriations	11.215	13.250	11.979	11.180	13.357	13.839	13.953	−14	−9	25
Capital expenditures	14.307	13.938	10.923	10.988	10.478	11.114	10.965	0	−26	21
Change in appropriations backlog*	−4.170	−2.044	−0.110	−0.170	+0.079	+0.391	+2.024			
ELECTRIC & GAS UTILITIES										
New appropriations	10.624	9.939	7.664	6.713	5.771	7.200	5.338			
Capital expenditures	8.905	9.384	9.041	9.292	9.043	8.366	8.703			
Change in appropriations backlog*	+0.504	−4.709	−4.812	−7.024	−3.925	−3.758	−4.832			

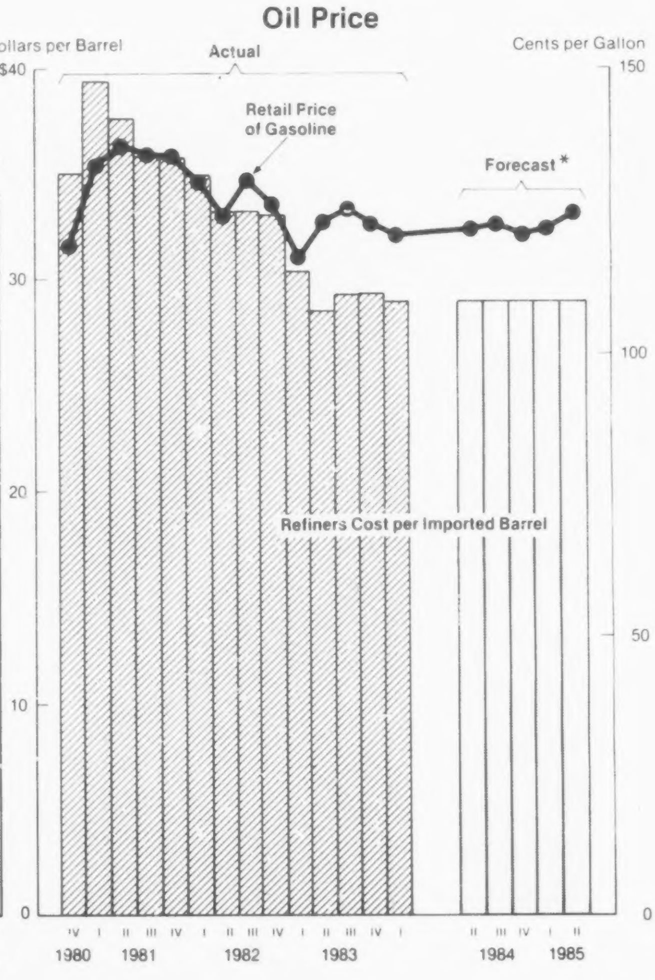
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

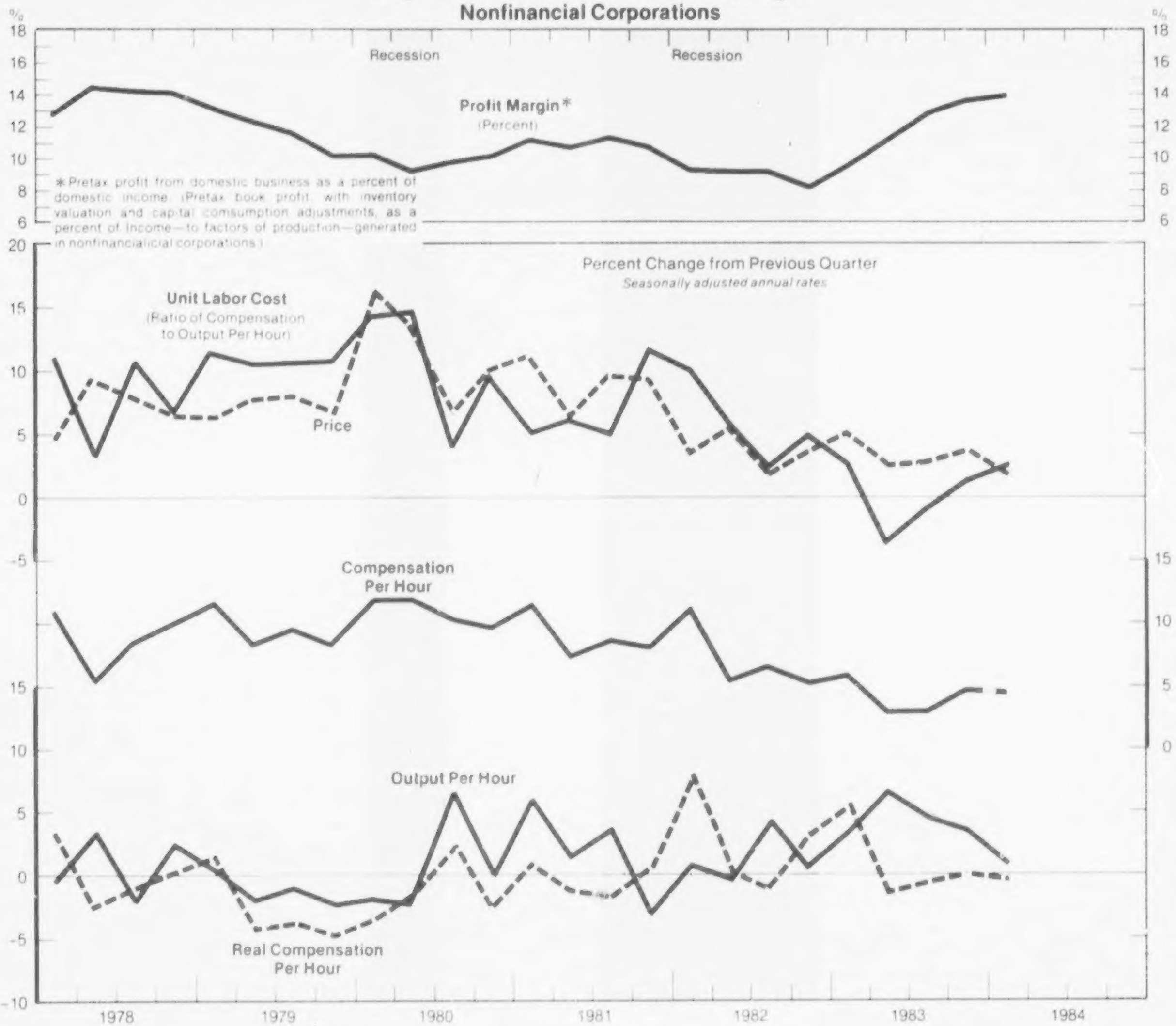




*Source of Forecast is The Energy Information Administration, Department of Energy

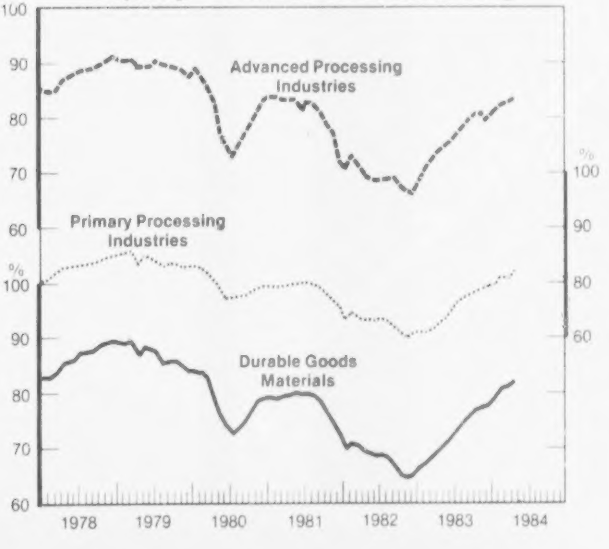
Key Determinants of Profit Margin

Nonfinancial Corporations

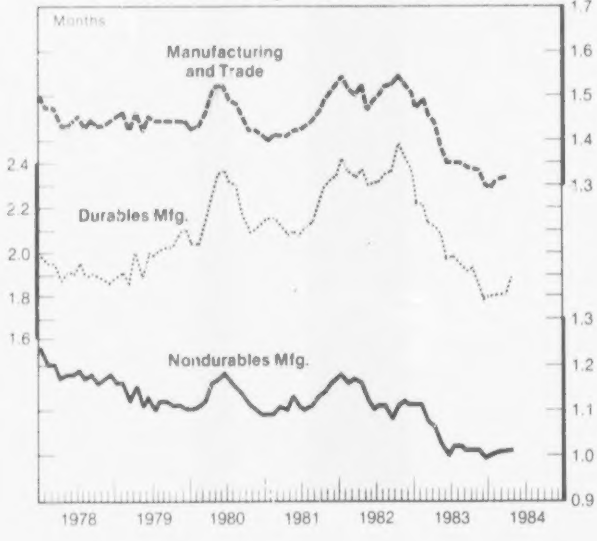


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



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ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[1]		Georgia State University[1]	
Date of Forecast			*May, 1984*		*May, 1984*		*May, 1984*		*May, 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**I**	**$3541.6**	**12.8%**	**$3541.6**	**12.8%**	**$3541.6**	**12.8%**	**$3541.6**	**12.8%**
		II	3612.4	8.2	3601.9	7.0	3595.6	6.2	3627.3	10.0
		III	3686.1	8.4	3692.8	10.5	3658.5	7.2	3709.7	9.4
		IV	3752.4	7.4	3779.8	9.8	3734.6	8.6	3787.6	8.7
	1985	I	3821.0	7.5	3868.5	9.7	3841.5	12.0	3870.6	9.1
		II	3883.0	6.7	3949.5	8.6	3938.2	10.5	3956.6	9.2
		III	3958.8	8.0	4001.5	5.4	4036.1	10.3	4035.5	8.2
		IV	4047.3	9.2	4071.8	7.2	4132.8	9.9	4113.8	8.0
	1986	I	4137.2	9.2						
		II	4227.9	9.1						
	1984	Annual	3648.1	10.2	3654.0	10.4	3632.6	9.7	3666.6	10.8
	1985	Annual	3927.5	7.7	3972.8	8.7	3987.2	9.8	3994.1	8.9
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**I**	**$1606.0**	**8.8%**	**$1606.0**	**8.8%**	**$1606.0**	**8.8%**	**$1606.0**	**8.8%**
		II	1622.3	4.1	$1613.9	2.0	1616.0	2.5	1626.5	5.2
		III	1637.3	3.8	1630.3	4.1	1626.0	2.5	1642.9	4.1
		IV	1647.1	2.4	1643.7	3.3	1638.0	3.0	1654.7	2.9
	1985	I	1654.3	1.8	1662.2	4.6	1663.0	6.2	1665.7	2.7
		II	1659.4	1.2	1662.2	0.0	1683.0	4.9	1677.3	2.8
		III	1668.8	2.3	1659.1	-0.7	1703.0	4.8	1685.6	2.0
		IV	1680.3	2.8	1665.6	1.6	1722.0	4.5	1691.1	1.3
	1986	I	1691.5	2.7						
		II	1702.4	2.6						
	1984	Annual	1628.2	6.1	1623.5	5.7	1621.5	5.6	1632.5	6.3
	1985	Annual	1665.7	2.3	1662.3	2.4	1692.8	4.4	1679.9	2.9
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**I**	**220.5**	**3.7%**	**220.5**	**3.7%**	**220.5**	**3.7%**	**220.5**	**3.7%**
		II	222.7	4.0	223.2	4.9	222.5	3.6	223.0	4.6
		III	225.1	4.5	226.5	6.1	225.0	4.6	225.8	5.1
		IV	227.8	4.9	230.0	6.2	228.0	5.4	228.9	5.6
	1985	I	231.0	5.7	232.7	4.9	231.0	5.4	232.4	6.2
		II	234.0	5.3	237.6	8.6	234.0	5.3	235.9	6.2
		III	237.2	5.6	241.2	6.2	237.0	5.2	239.4	6.1
		IV	240.9	6.3	244.5	5.6	240.0	5.2	243.3	6.6
	1986	I	244.6	6.3						
		II	248.3	6.3						
	1984	Annual	224.0	3.9	225.0	4.4	224.0	3.9	224.6	4.2
	1985	Annual	235.8	5.2	239.0	6.2	235.5	5.1	237.7	5.9
Unemployment Rate										
Actual	**1984**	**I**	**7.9%**		**7.9%**		**7.9%**		**7.9%**	
		II	7.7		7.6		7.6		7.6	
		III	7.5		7.4		7.4		7.5	
		IV	7.4		7.2		7.2		7.4	
	1985	I	7.5		7.2		7.0		7.2	
		II	7.6		7.3		6.9		7.1	
		III	7.7		7.6		6.8		7.0	
		IV	7.8		7.7		6.7		7.1	
	1986	I	7.8							
		II	7.9							
	1984	Annual	7.6		7.5		7.5		7.6	
	1985	Annual	7.6		7.5		6.9		7.1	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) fourth quarter data.

ECONOMIC FORECASTS (continued)

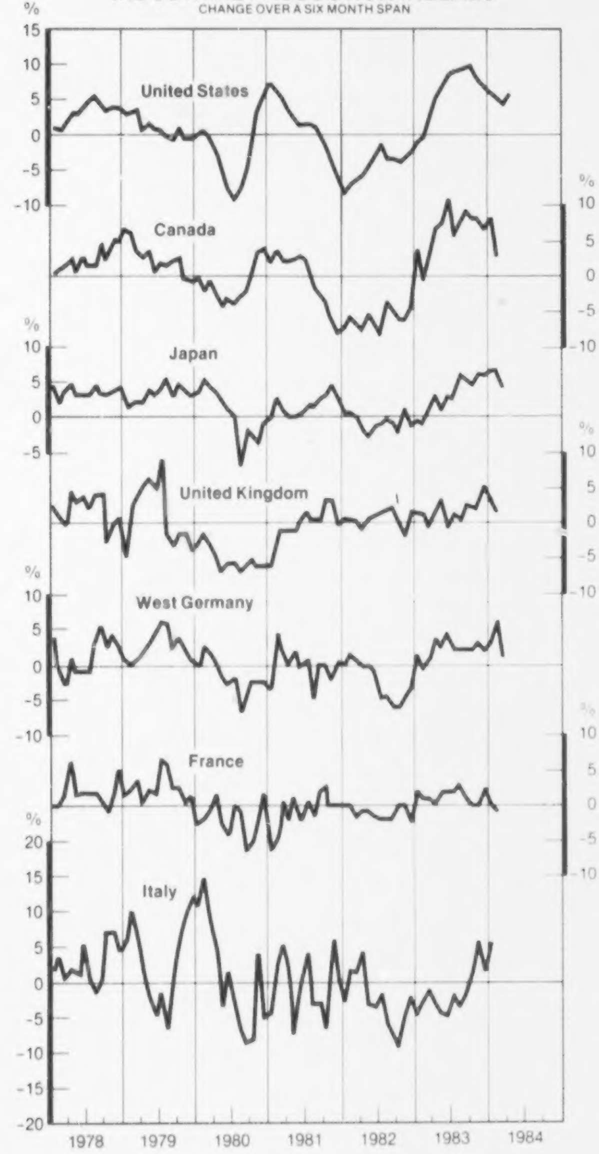
The Conference Board[1]		Chase Econometric Associates, Inc[1].		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
May, 1984		*May, 1984*		*May, 1984*		*May, 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3541.6	**12.8%**	**$3541.6**	**12.8%**	**$3541.6**	**12.8%**	**$3541.6**	**12.8%**	**I**	**1984**	**Actual**
3613.0	8.3	3599.6	6.7	3614.0	8.4	3616.7	8.8	II		
3690.0	8.8	3678.9	9.1	3686.4	8.3	3703.5	10.0	III		
3772.0	9.2	3756.9	8.8	3748.5	6.9	3783.2	8.9	IV		
3812.0	4.3	3832.1	8.3	3811.4	6.9	3868.6	9.3	I	1985	
3879.0	7.2	3883.2	5.4	3868.8	6.2	3934.4	7.0	II		
3994.0	12.4	3937.0	5.7	3941.2	7.7	3996.1	6.4	III		
4095.0	10.5	4012.2	7.9	4027.9	9.1	4054.7	6.0	IV		
		4118.7	11.0	4117.1	9.2	4096.0	4.1	I	1986	
		4221.8	10.4	4207.9	9.1	4145.9	5.0	II		
3654.2	10.4	3644.3	10.1	3647.6	10.2	3661.3	10.6	Annual	1984	
3945.0	8.0	3916.1	7.5	3912.3	7.3	3963.5	8.3	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1606.0	**8.8%**	**$1606.0**	**8.8%**	**$1606.0**	**8.8%**	**$1606.0**	**8.8%**	**I**	**1984**	**Actual**
1620.8	3.7	1618.6	3.2	1622.8	4.3	1622.3	4.1	II		
1634.1	3.3	1635.7	4.3	1637.2	3.6	1641.7	4.9	III		
1645.4	2.8	1651.0	3.8	1645.6	2.1	1657.1	3.8	IV		
1642.3	-0.8	1659.3	2.0	1651.9	1.5	1669.6	3.1	I	1985	
1648.8	1.6	1659.5	0.0	1656.6	1.1	1676.0	1.5	II		
1673.5	6.1	1660.5	0.2	1666.4	2.4	1680.0	1.0	III		
1690.5	4.1	1667.2	1.6	1679.2	3.1	1680.2	0.0	IV		
		1681.4	3.5	1692.3	3.2	1672.9	-1.7	I	1986	
		1697.6	3.9	1705.6	3.2	1671.9	-0.2	II		
1626.6	5.9	1627.8	6.0	1627.9	6.0	1631.8	6.3	Annual	1984	
1663.8	2.3	1661.6	2.1	1663.5	2.2	1676.5	2.7	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
220.5	**3.7%**	**220.5**	**3.7%**	**220.5**	**3.7%**	**220.5**	**3.7%**	**I**	**1984**	**Actual**
222.9	4.4	222.4	3.4	222.7	4.0	222.9	4.5	II		
225.8	5.3	224.9	4.6	225.2	4.5	225.6	4.8	III		
229.2	6.2	227.6	4.8	227.8	4.7	228.3	4.9	IV		
232.1	5.1	230.9	6.1	230.7	5.3	231.7	6.1	I	1985	
235.3	5.5	234.0	5.4	233.5	5.0	234.7	5.4	II		
238.7	5.9	237.1	5.4	236.5	5.2	237.9	5.4	III		
242.2	6.1	240.7	6.1	239.9	5.8	241.3	5.9	IV		
		245.0	7.3	243.3	5.8	244.8	6.0	I	1986	
		248.7	6.2	246.7	5.8	248.0	5.2	II		
224.6	4.2	223.8	3.8	224.0	3.9	224.3	4.1	Annual	1984	
237.1	5.5	235.7	5.3	235.2	5.0	236.4	5.4	Annual	1985	
								Unemployment Rate		
7.9%		**7.9%**		**7.9%**		**7.9%**		**I**	**1984**	**Actual**
7.7		7.6		7.6		7.7		II		
7.6		7.4		7.5		7.5		III		
7.5		7.3		7.4		7.3		IV		
7.7		7.4		7.5		7.2		I	1985	
7.8		7.7		7.7		7.2		II		
7.5		8.1		7.8		7.3		III		
7.3		8.5		7.8		7.5		IV		
		8.6		7.8		7.8		I	1986	
		8.5		7.9		8.0		II		
7.7		7.5		7.6		7.6		Annual	1984	
7.6		7.9		7.7		7.3		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

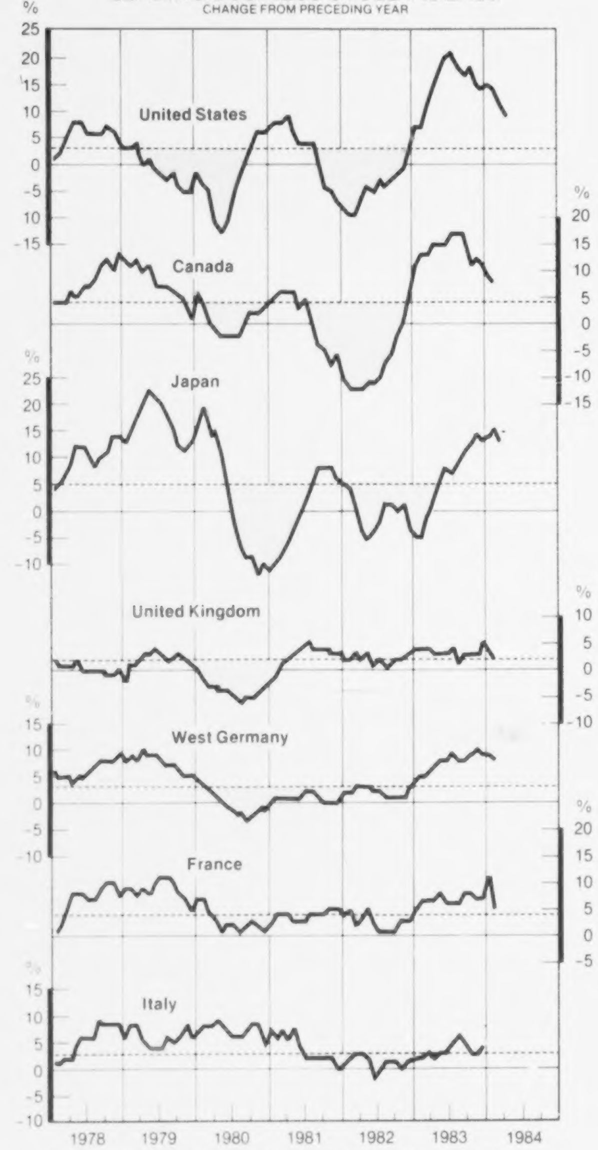
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



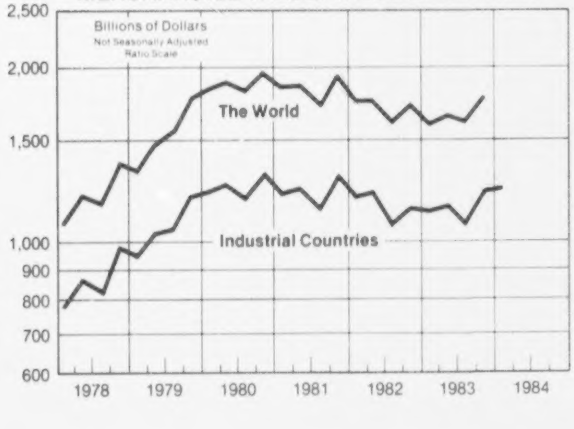
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

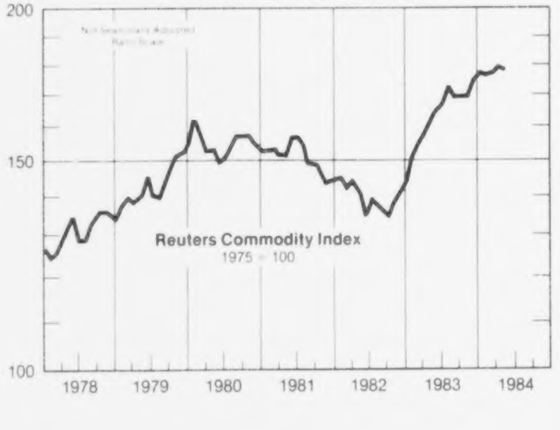


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

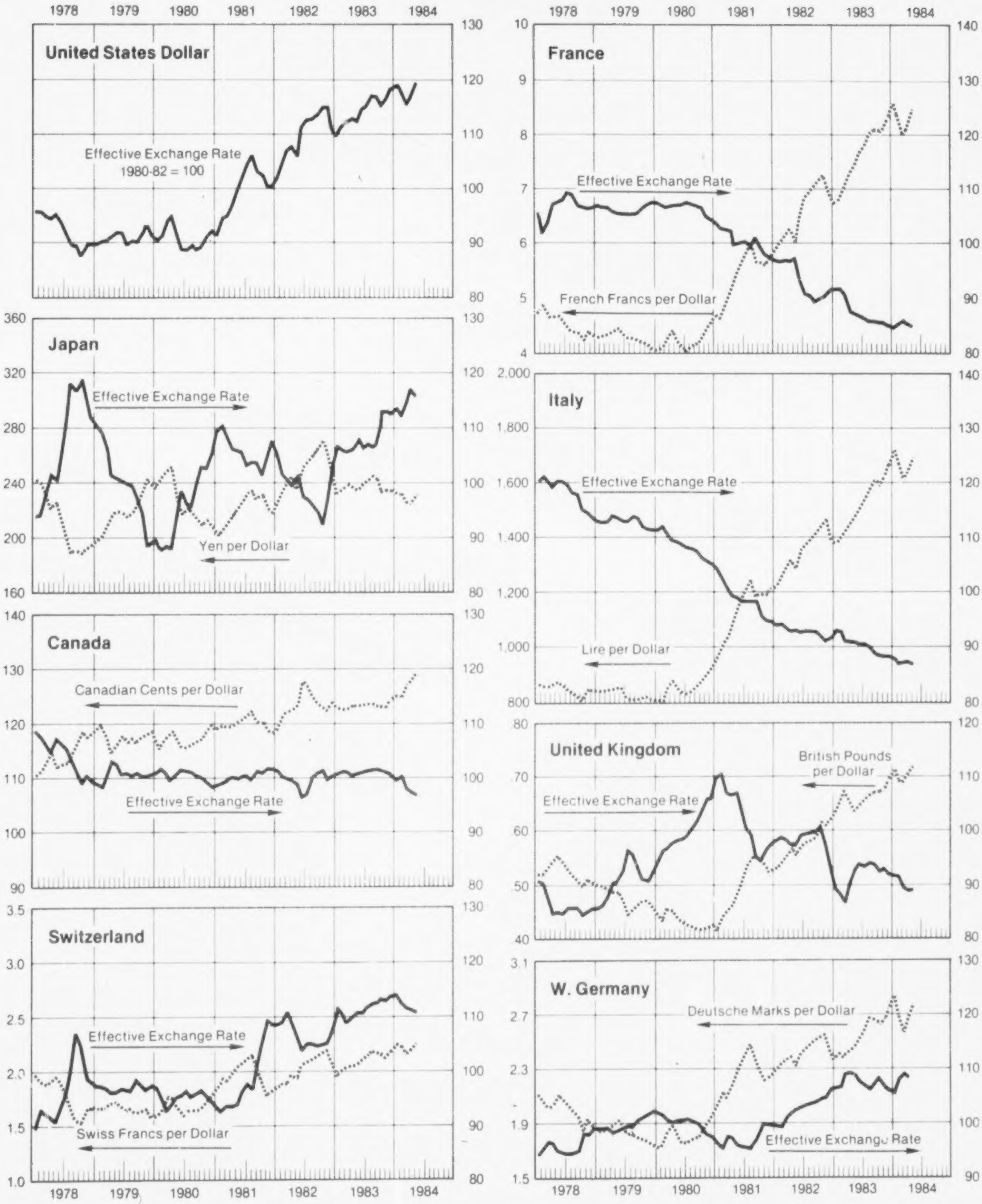


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



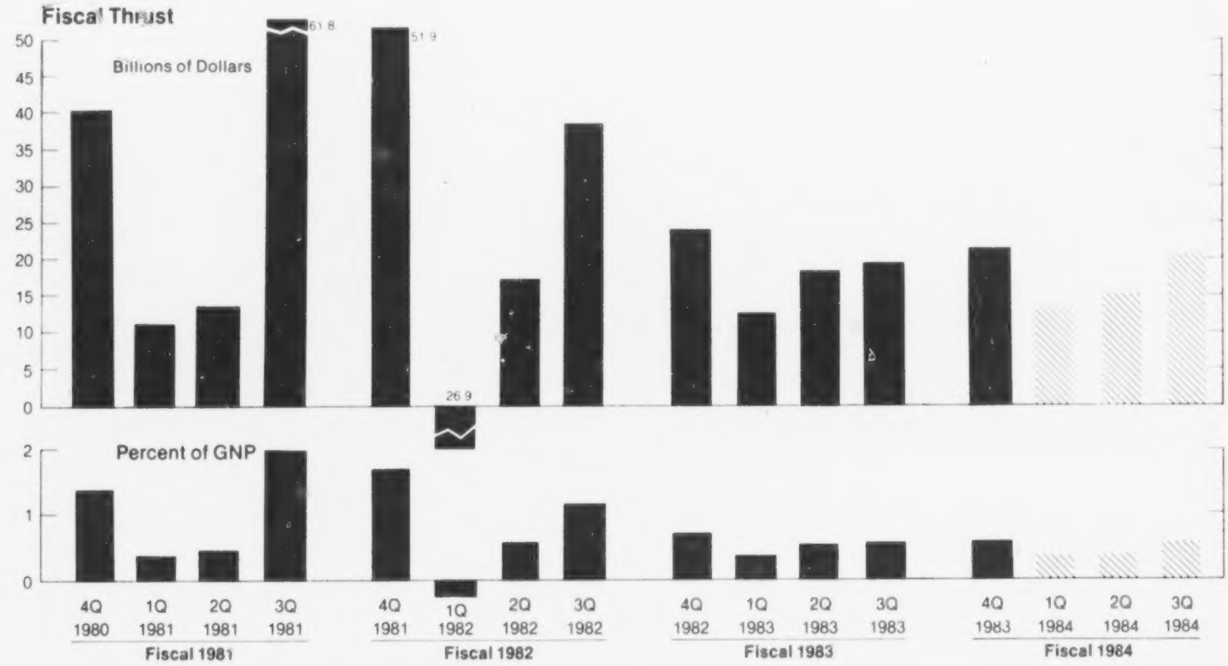
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

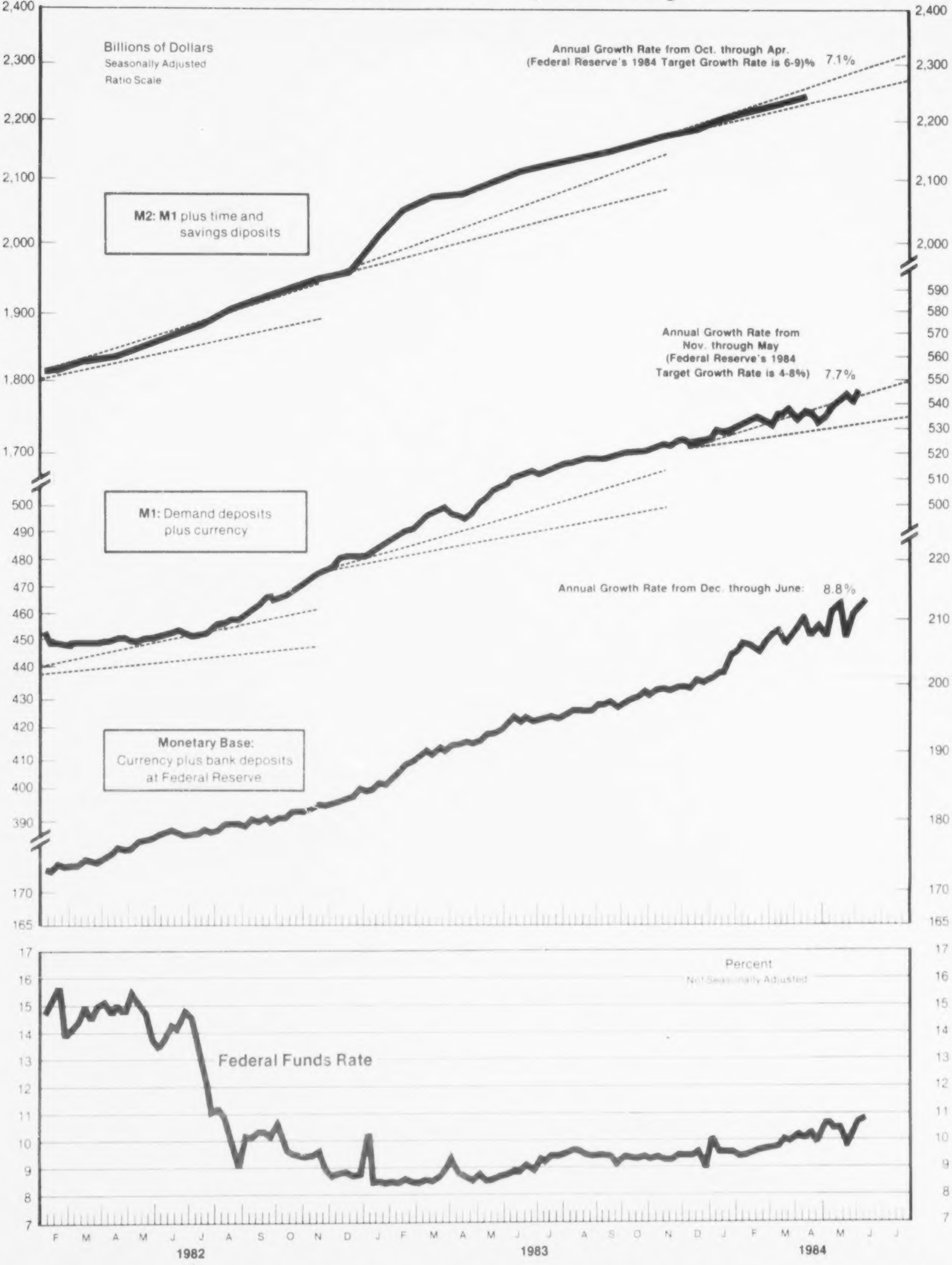
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(4/10/84)	(2/7/84)	(2/1/84)	(4/10/84)	(2/7/84)
Receipts	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Outlays	**796.0**	**850.5**	**853**	**944.9**	**932.0**	**927**
Deficit	**-195.0**	**-177.8**	**-190**	**-207.7**	**-179.0**	**-193**
Receipts by source	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Individual income taxes	288.9	296.0	294	323.4	331.9	329
Corporate income taxes	37.0	65.7	62	75.5	77.0	65
Social insurance	209.0	241.5	237	269.0	271.2	269
Other receipts	65.7	69.5	70	69.4	73.0	71
Outlays by function	**796.0**	**850.5**	**835**	**944.9**	**932.0**	**927**
National defense	209.9	237.6	235	284.2	272.0	263
Social security and medicare	223.3	239.6	241	261.4	259.6	260
Income security	122.2	95.1	97	116.9	112.7	115
Health	28.7	30.5	31	34.4	32.7	34
Education and manpower	26.6	28.4	28	29.0	28.0	29
Transportation	21.4	25.9	27	27.4	27.0	27
Veterans' benefits	24.8	26.0	26	26.6	26.6	26
International affairs	9.0	13.1	11	14.1	17.6	12
National resources and environment	12.7	12.4	12	11.8	11.5	12
Agriculture	22.2	9.6	10	14.3	16.5	12
General science	7.7	8.2	8	8.4	8.7	9
Community development	6.9	7.5	8	7.7	7.7	8
Revenue sharing	6.5	6.7	7	6.8	6.6	7
General government	4.8	5.4	6	5.7	5.7	6
Justice	5.1	5.9	6	6.2	6.1	6
Energy	4.0	2.6	3	3.4	2.8	4
Commerce and housing credit	4.4	3.1	4	1.6	0.6	3
Interest	89.8	109.5	108	117.9	123.0	127
Allowances			1	1.5	0.9	1
Undistributed offsetting receipts	-34.0	-16.5	-16	-34.6	-34.4	-34

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB 81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



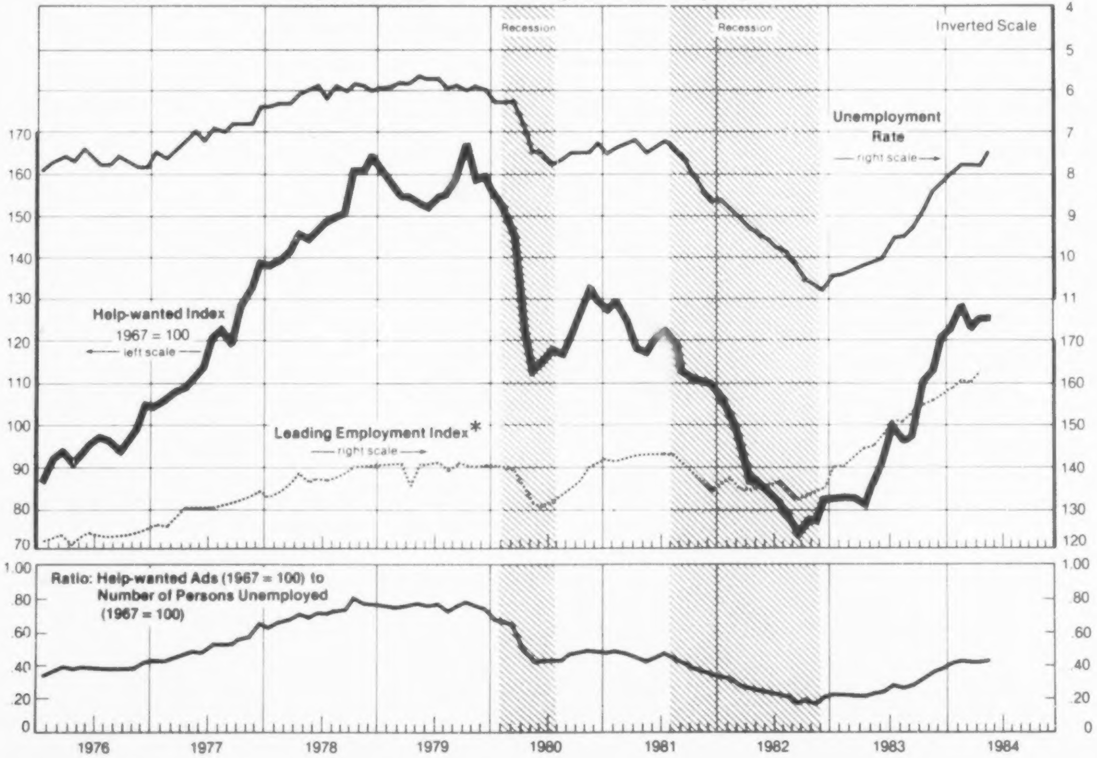
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	Apr.	Mar.	Feb.	Apr.
Total Index 51 papers	124	124	129	81
New England	137	133	134	88
Boston	155	151	153	99
Hartford	129	121	124	90
Providence	81	84	78	49
Middle Atlantic	58	57	58	42
Albany	120	124	124	71
Allentown	150	123	141	110
New York	50	50	50	39
Philadelphia	52	49	52	35
Pittsburgh	51	52	56	41
Rochester	69	63	67	41
Syracuse	87	82	85	54
East North Central	72	71	76	42
Chicago	90	90	92	39
Cincinnati	90	87	93	64
Cleveland	48	44	50	34
Columbus	98	91	102	66
Dayton	59	57	59	43
Detroit	53	53	52	32
Gary	74	83	99	78
Indianapolis	74	58	82	52
Milwaukee	46	50	51	30
Toledo	61	78	96	62
West North Central	75	73	78	45
Kansas City	93	94	100	61
Minneapolis	71	68	73	32
Omaha	119	114	111	78
St. Louis	57	54	60	39
South Atlantic	141	149	157	96
Atlanta	259	261	265	156
Baltimore	80	93	128	67
Charlotte	138	141	131	80
Jacksonville	186	195	173	141
Miami	80	94	86	66
Richmond	86	86	87	59
Washington, D.C.	143	151	162	95
East South Central	122	117	122	86
Birmingham	n.a.	116	123	87
Knoxville	183	184	184	132
Louisville	61	61	67	42
Memphis	99	108	111	71
Nashville	185	155	161	128
West South Central	271	275r	286	184
Dallas	367	389	416	224
Houston	339	343	352	239
New Orleans	146	129	140	108
Oklahoma City	153	147r	150	122
San Antonio	209	201	193	137
Tulsa	138	137	139	102
Mountain	286	282	302	151
Denver	n.a.	208	215	117
Phoenix	400	409	428	204
Salt Lake City	270	246	295	143
Pacific	185	186	188	123
Los Angeles	148	150	153	92
Sacramento	297	290	301	198
San Bernardino	192	146	158	112
San Diego	357	380	382	249
San Francisco	184	188	183	126
Seattle	186	185	186	150
Percentage of papers with rising volume	53%	16%	63%r	24%
Unemployment rate	7.8%	7.8%	7.8%	10.2%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

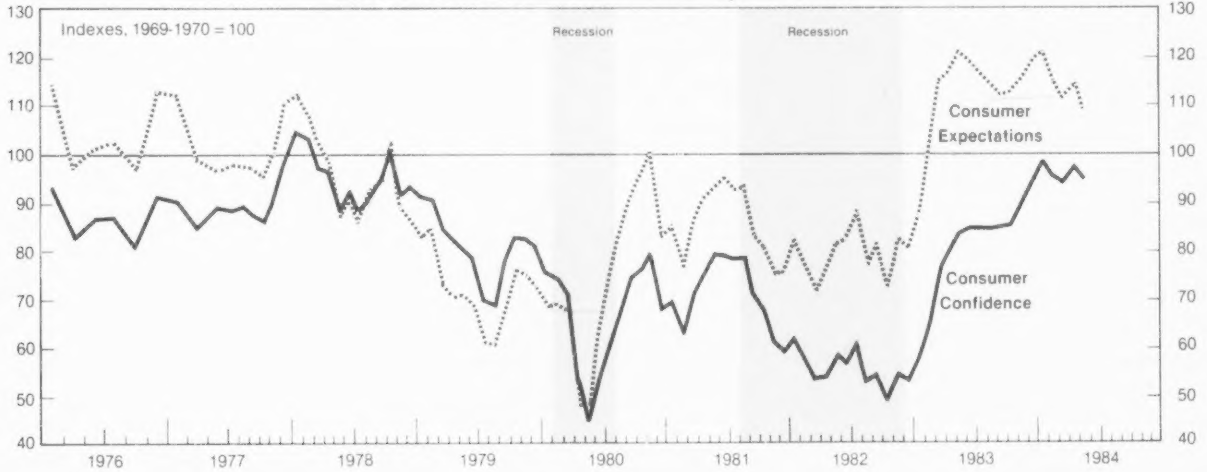
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2p							
Buying Plans Index												
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4r	100.9p							

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

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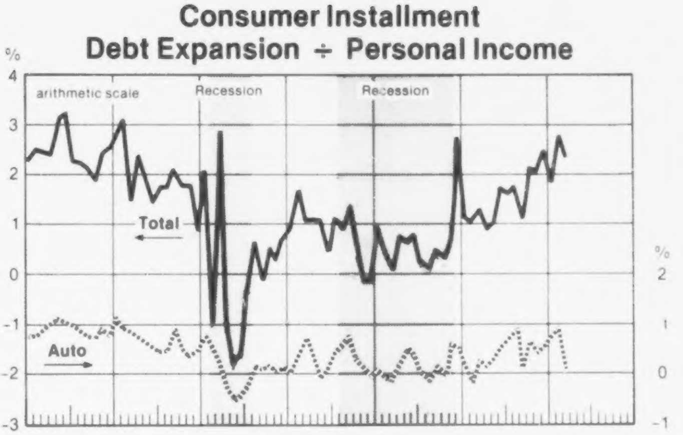
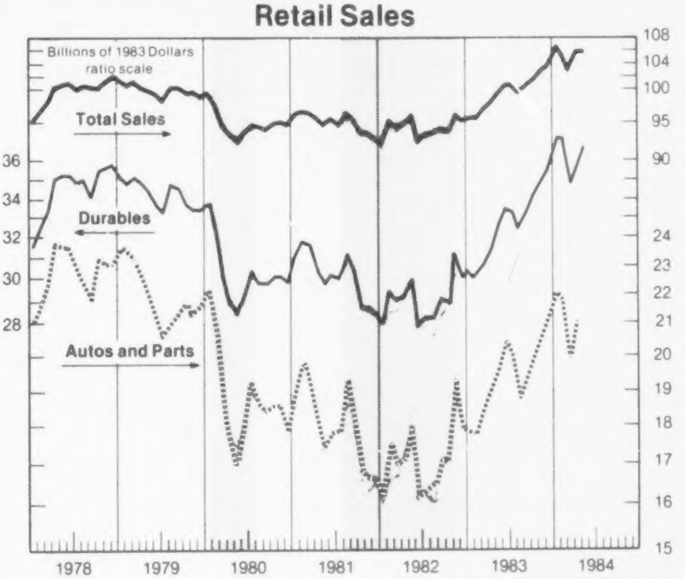


Consumer Installment Debt Expansion ÷ Personal Income



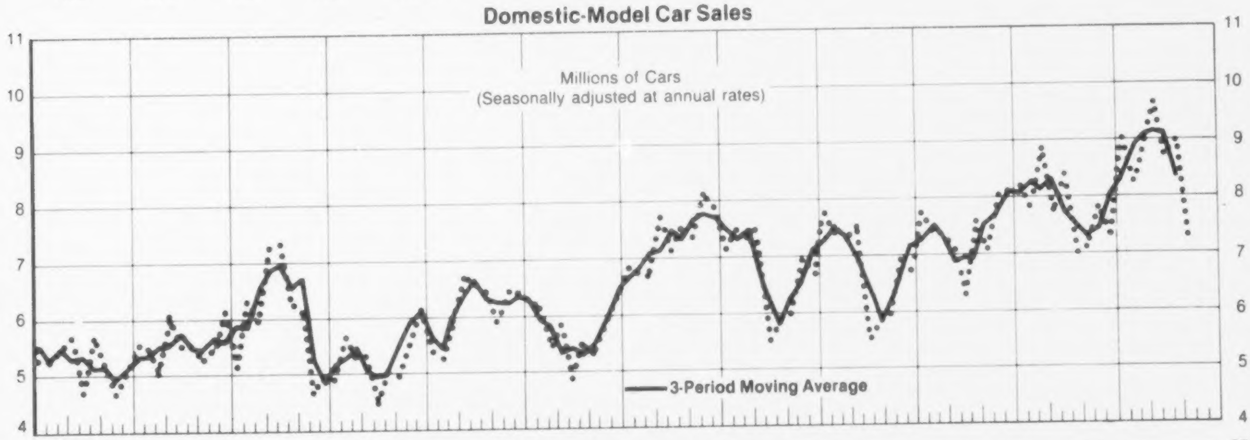
Retail Sales

CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

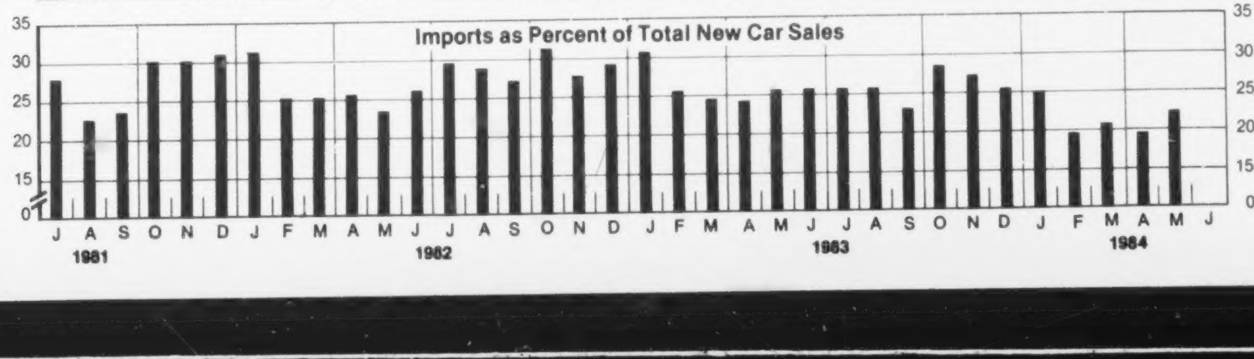
Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	8.70
	21-31	5.94	6.25	7.55	8.99
June:	1-10	6.09	6.10	7.34	7.37
	11-20	5.99	4.68	8.12	
	21-30	6.06	4.94	7.88	
July:	1-10	6.09	4.92	7.16	
	11-20	6.47	5.61	7.42	
	21-31	5.89	5.30	7.37	
August:	1-10	7.31	5.35	7.51	
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.



Domestic-Model Car Sales



Imports as Percent of Total New Car Sales

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Volume 17, No. 7, July, 1984

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The Conference Board

COMMENT

How deceptive can statistics be? Consider that almost every major league baseball player who has struck out more than 2,700 times is either in the Hall of Fame or assumed to be a very good candidate for induction once his career ends. That is not as odd as it sounds. Anyone who can hang around long enough to strike out that many times must be contributing a lot to the team's successes. Those called upon to generate an *Economic Forecast* every month suffer the fate of knowing that a good deal of what they predict will be wrong, and all of it will be second-guessed. Why pay attention to a group with such a poor batting average? Even the most farsighted prognosticator is severely tested by the fast balls of strong consumer confidence supporting exuberant household demand, the curve balls of rapid output gains despite near-capacity operations, and the occasional screwball from either the fiscal or monetary side of the mound. These forecasters have been at bat in such situations many times before and are once again facing difficult and volatile pitches tossed out by the business cycle.

Given massive doses of fiscal and monetary stimulus, real output growth has been more than robust ever since the economy began to turn around in September, 1982. Consumers, rock solid in the belief that the business outlook could only brighten, spent their incomes, and unhesitatingly pulled out their charge cards when cash ran short, to make purchases they had cautiously put on hold from 1980 to 1982. The *Economic Forecasts,* however, have been saying for some time now that consumers' pent-up demand would begin to run dry, that the Federal Reserve would start to rein in money growth lest this rambunctious expansion overheat, and that the massive doses of fiscal stimulus would be subsiding. These forces were supposed to begin biting into economic growth in the second half of this year. For the last eight months, the median of the forecasts has been for a little more than 4½% growth in real GNP from the last quarter of 1983 to the last quarter of 1984 (see the accompanying chart), with inflation running a little under 5% and an unemployment rate that would improve to only about 7.4% by the end of 1984.

It is beginning to look as though the forecasters may be wrong for the right reason. There has indeed been some erosion in buoyant consumer attitudes, and demand appears to be no longer accelerating. The Conference Board's *Consumer Confidence Index* stood at 98.4 (1969-1970 = 100) in January, but had been trending a little lower than that through the first half of the year. The *Expectations Index,* a component that measures households' attitudes as to where business conditions are headed six months hence, declined from 121.9 in January, to 106.7 in June. These readings suggest that consumers remain optimistic about the economy's performance—just not as robustly optimistic as they were in the early recovery stage. By the same token, consumer demand remains strong, but is not rising month after month as was the case in the early recovery. The pace of consumer demand, then, has slowed, confirming the accuracy of prior forecasts.

One could also argue that monetary policy is in the throes of some tightening, although as is routinely the case in such matters, the argument is less than conclusive. The basic money supply, M1 (demand deposits plus currency), has continued to expand at the top end of the Federal Reserve's target range (growth of between 4% and 8% from November, 1983, to November, 1984). Growth in the more inclusive aggregate, M2 (M1 plus time and savings deposits), is currently running below its target range (between 6% and 9% over the same 12-month span). On the other hand, the Monetary Base (defined as currency plus assets on deposit at the Federal Reserve, but usually referred to as high-powered money or the basic ingredient necessary for money supply expansion) has actually accelerated in recent weeks. The monetary authorities certainly want to avoid pumping so much money into the expansion that the bottled-up inflation genie escapes. Jerking money growth back into line too abruptly, however, could choke off momentum in key sectors; this is especially critical with regard to the boom in capital investment now underway. Fear of a premature demise of the expansion appears to outweigh fear of potential inflation. Consequently, the brakes have not been applied to money growth just yet.

The price of money, on the other hand, continues to reach new heights. The prime interest rate was at 11½% at the start of the new year, but climbed to 13% by midyear. The Federal Funds rate—the rate at which banks borrow from other banks—had been in a 10-to-10½% range in the last few months but moved above 11% by the end of June, and to about 11.3% in early July. It seems obvious, given the scant reining in of money growth as yet, that the rise in interest rates is being relied on to check credit demand.

Strong fiscal stimulus is beginning to wane. The *Perspective of the Federal Budget* chart shows that The Conference Board's estimate of *Fiscal Thrust*—the measure of the initial impact of the budget on the economy—began to diminish in the first half of this year. These estimates were made before agreement was reached on the deficit-

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Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

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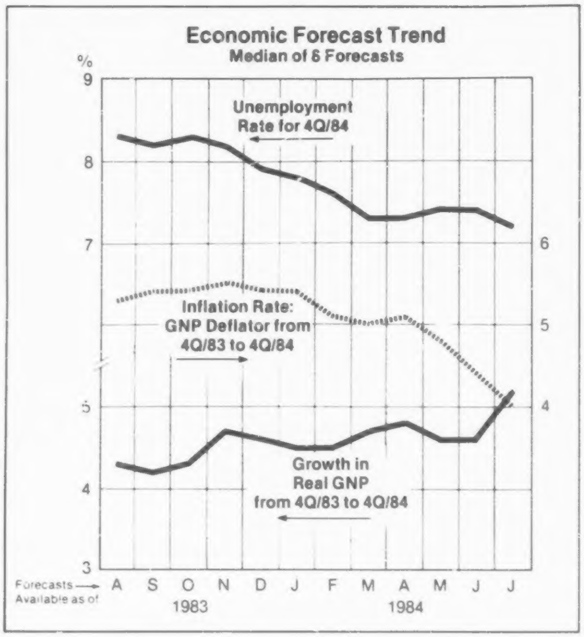


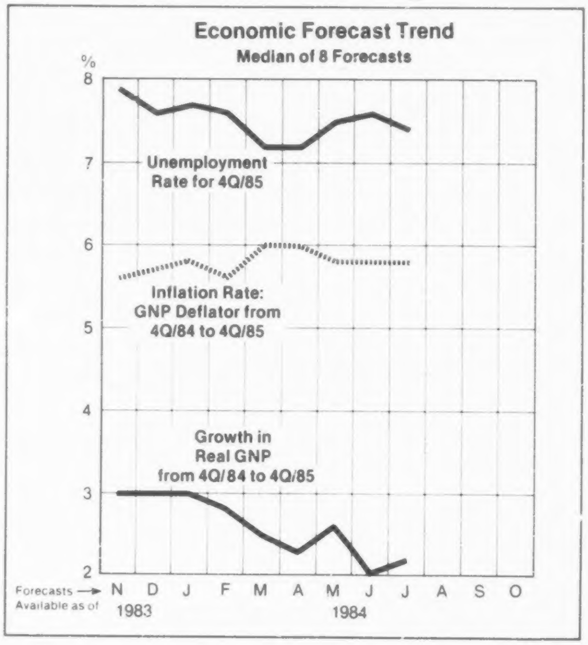
reducing down payment (raising some taxes and lowering some spending). That agreement undoubtedly cuts fiscal stimulus for the second half of the year and beyond. Less consumer-demand growth, less fiscal stimulus, and some tightening of monetary policy, together with industry operating at near capacity, all ought to be grounds for expecting some slowing in the overall pace of activity. Each new report, however, shows no letup of expansion.

The *Economic Forecasts* now indicate that, following a very sizable 9.7% rise in the first quarter of this year, real output grew by 5.7% in the second quarter (seasonally adjusted at annual rates). Further, industrial production continued to expand by at least ½% per month through June, even as already-tight operating rates inched a little higher. These strong gains in production generated enough new jobs to allow the unemployment rate to fall from 7.8% in April to 7.1% in June. Yet, The Conference Board's *Help-wanted Index,* a measure of labor demand, remained fairly flat through the first half of the year. In normal periods, tight operating conditions would be expected to generate more of an increase in labor-demand measures but fewer jobs as well as somewhat smaller gains in production and some upward pressure on prices. In each instance, however, the data contradict the expectation. These are the kind of pitches that tend to lower the forecaster's batting average.

With increases in consumer demand slowing, increases in output are feeding a very healthy business appetite for inventory, a surge in capital-investment demand (see the *Capital Appropriations and Expenditures* table) and strong Federal Government demand for goods, especially defense-related material. The revised outlook suggests that consumer demand will remain somewhat dampened, that inventory buildup is largely completed, that Federal Government demand will taper, but that business-investment growth will not abate—at least not before this time next year. The *Economic Forecasts* now show real GNP rising 5.2% from the fourth quarter of 1983 to the fourth quarter of 1984, inflation remaining subdued at about a 4% pace in this four-quarter span, and the unemployment rate improving to 7.2% by the end of this year (that number obviously was arrived at before the June statistic was released).

The very strong performance of the economic expansion to date, and perhaps the fact that it continues to outperform most expectations, has sent a strong dollar even higher in international exchange markets. That overvalued dollar acts as a magnet for imports but impedes exports. The economic drag from an overvalued dollar and large trade deficits have not had noticeable impact on the domestic economy largely because the stimulative *Fiscal Thrust,* mentioned earlier, has drowned it out. As *Fiscal Thrust* diminishes, however, that lower stimulus and the high dollar along with trade deficits, and the high level of interest rates, will slow down the fast-track expansion. The median of the *Economic Forecasts* indicates that real output will grow by only a sluggish 2.2% annual rate from the fourth quarter of 1984 to the fourth quarter of 1985 (see the accompanying chart), inflation will move up to only about a 5.8% rate in this four-quarter span, and unemployment, which will probably rise later this year and into next year before improving again, will likely reach 7.4% by the end of 1985.

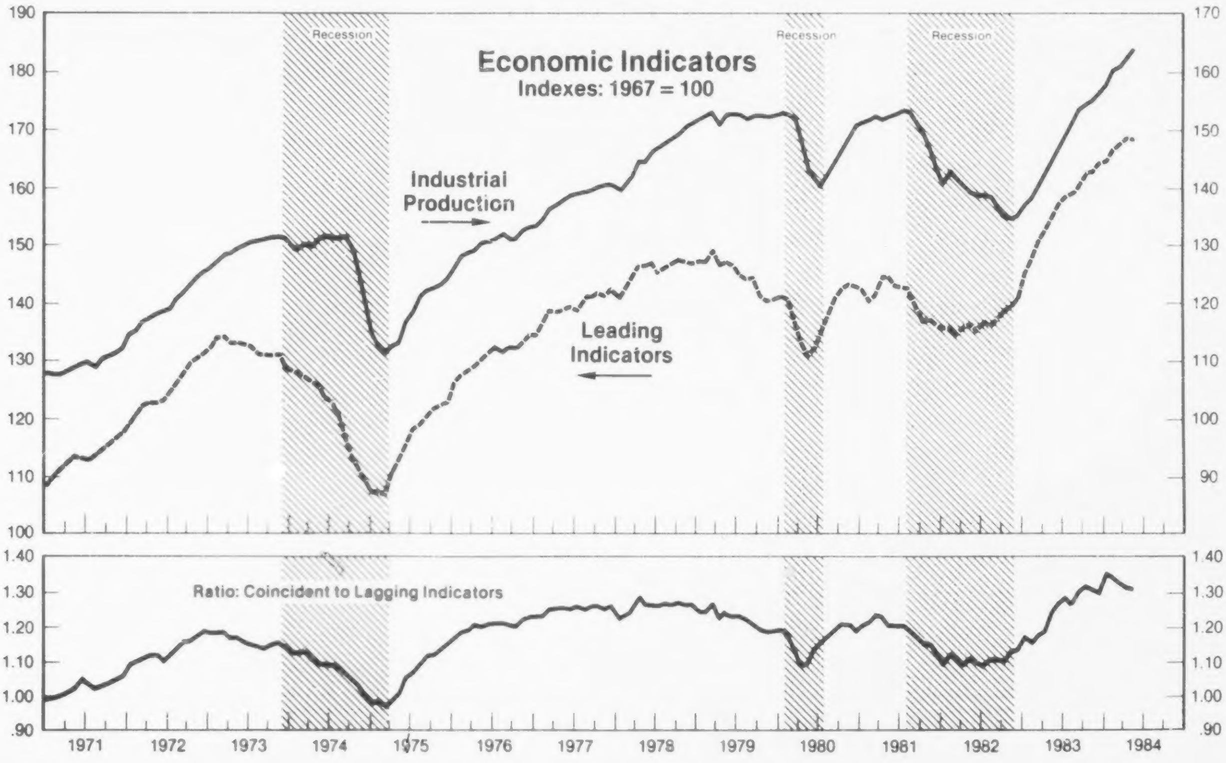
Ken Goldstein
July 11, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May		X		+ 0.7%	+ 8.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May	X			+ 8.9%	+ 19.6%
New orders, nondefense capital goods (deflated)	May	X			+ 4.6%	+ 28.6%
*New business formation	May			X	— 2.4%	+ 1.2%
*Housing permits	May			X	— 8.2%	+ 5.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May			X	— 1.3%	+ 13.0%
*Change in inventory, on hand & order (deflated)	Apr.	X			+ 14.2%	+ 39.1%
Purchasing agents' buying policy	June			X	— 6 %	+ 8 %
*Vendor performance, reported slower deliveries	May		X		+ 2 %	+ 18 %
Industrial raw materials prices	June			X	— 0.9%	+ 14.6%
*Change in sensitive material prices	May			X	— 0.2%	— 1.6%
Sensitive Financial Flows						
*Money balance (M2 deflated)	May	X			+ 0.8%	+ 3.1%
Change in business loans	May	X			+ 34.6%	+ 130.0%
*Change in credit outstanding	Apr.	X			+ 20.8%	+ 11.5%
Change in consumer installment debt	Apr.	X			+ 23.3%	+ 52.4%
Profitability						
Total corporate profits, after tax (deflated)	1st Q	X			+ 5.9%	+ 38.3%
*Common stock prices	June			X	— 2.6%	— 7.8%
Marginal Employment Adjustments						
*Average workweek, mfg.	June			X	— 0.1hr	+ 0.5hr
*Initial unemployment claims (inverted)	June		X		+ 1.4%	+ 15.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

	1983	1984			
DIFFUSION INDEXES	May	Feb.	Mar.	Apr.	May(e)
Principal Diffusion Index	61.8	72.1	68.2	69.7r	67.1
Auxillary Diffusion Index	63.1	47.8	37.4	54.9r	41.7
Industrial Group	61.5	78.7	74.9	72.4	68.4
Nonindustrial Group	62.0	65.5	61.5	67.1r	65.9
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.1	62.0	61.3	66.2	55.3
Labor	57.9	86.3	78.1	75.3	75.4
Miscellaneous	71.2	84.6	87.2	74.4	70.5
Nonindustrial Subgroups					
Prices	64.7	57.7	63.5	69.2	66.7
Consumer	72.6	75.6	68.8	73.1	76.9
Building	51.9	61.5	60.3	60.0r	55.8
Miscellaneous	56.2	63.2	53.8	60.3	61.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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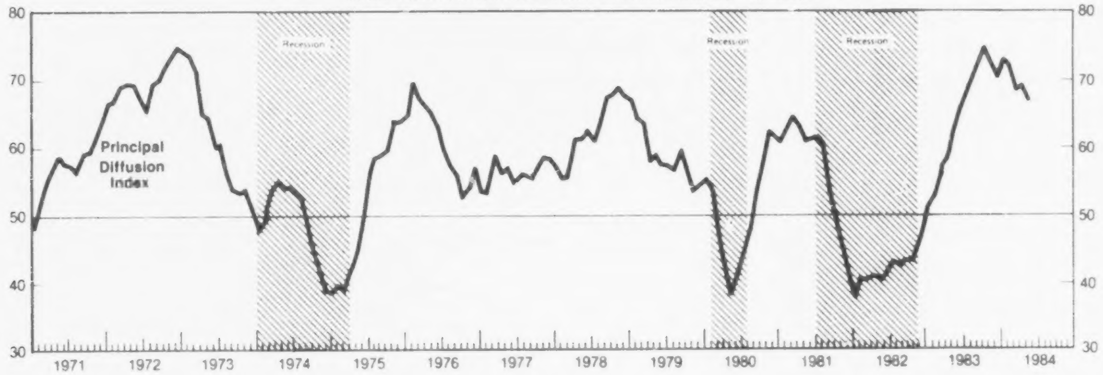
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981	*1982*				*1983*				*1984*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	43	47	52	55	60	70	76	75	74	70	65
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	26	23	30	38	44	65	76	82	80	76	75
2. Expectations for Economy, Six Months Ahead	51	59	64	65	70	76	78	74	73	67	60
Expectations for Own Industry, Six Months Ahead	52	58	61	61	65	70	72	69	70	67	61

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1982		1983				1984	Percent Change From Previous Year		
	III	IV	I	II	III	IVr	Ip	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	18.439	21.488	20.176	20.633	22.200	25.170	27.880	−18	1	17
Capital expenditures	23.991	22.887	18.841	18.643	18.072	20.033	19.585	− 3	−23	25
Change in appropriations backlog*	−8.726	−3.395	−0.716	+1.121	+1.008	+1.503	+6.330			
Durable Goods										
New appropriations	7.724	8.238	8.197	9.453	8.843	11.331	13.927	−24	17	6
Capital expenditures	9.684	8.949	7.918	7.655	7.594	8.919	8.620	− 7	−19	31
Change in appropriations backlog*	−4.556	−1.351	−0.606	+1.291	+0.929	+1.112	+4.306			
Nondurable Goods										
New appropriations	11.215	13.250	11.979	11.180	13.357	13.839	13.953	−14	−9	25
Capital expenditures	14.307	13.938	10.923	10.988	10.478	11.114	10.965	0	−26	21
Change in appropriations backlog*	−4.170	−2.044	−0.110	−0.170	+0.079	+0.391	+2.024			
ELECTRIC & GAS UTILITIES										
New appropriations	10.624	9.939	7.664	6.713	5.771	7.200	5.338			
Capital expenditures	8.905	9.384	9.041	9.292	9.043	8.366	8.703			
Change in appropriations backlog*	+0.504	−4.709	−4.812	−7.024	−3.925	−3.758	−4.832			

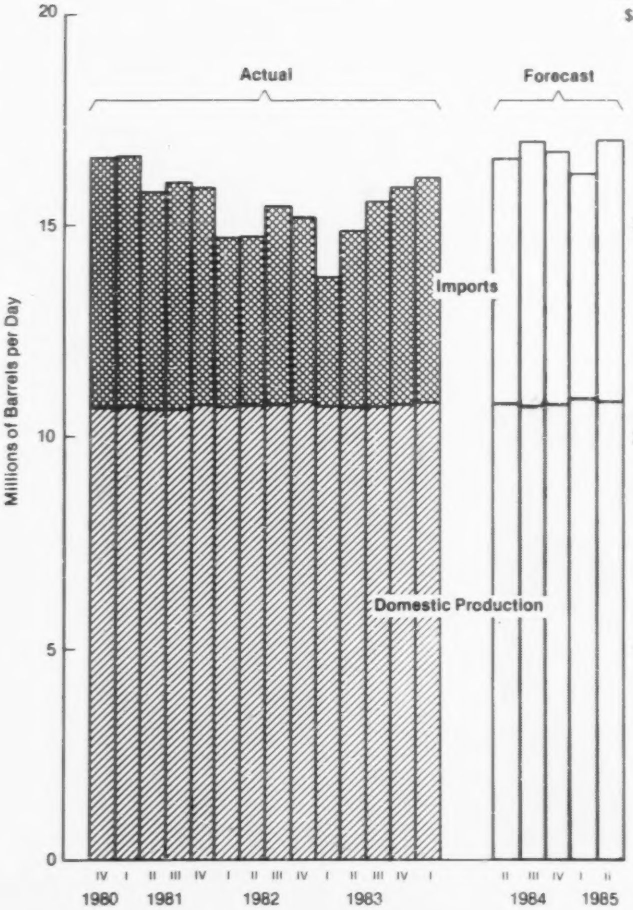
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

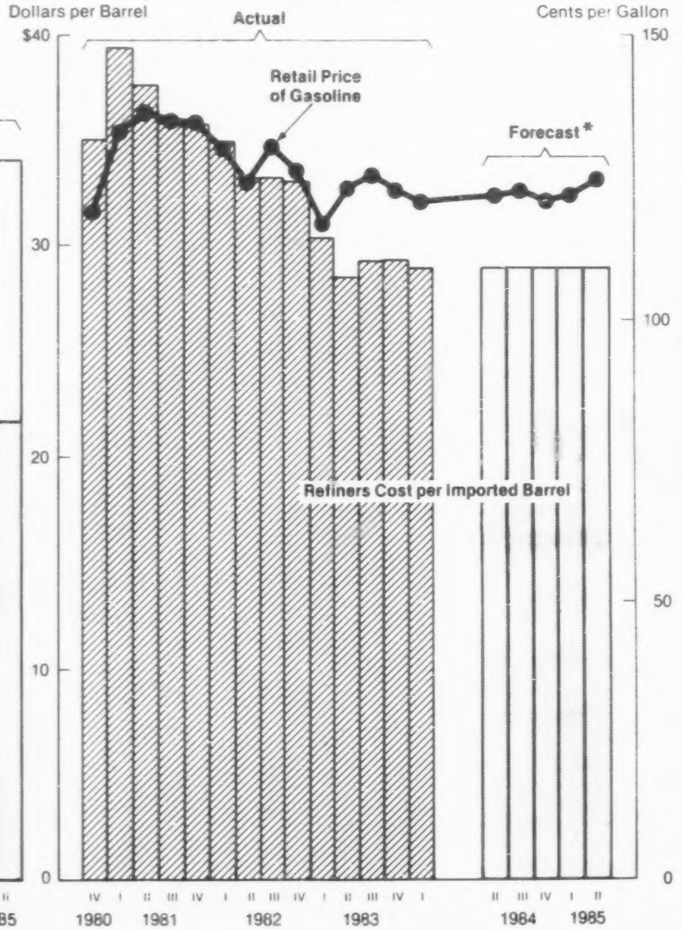
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



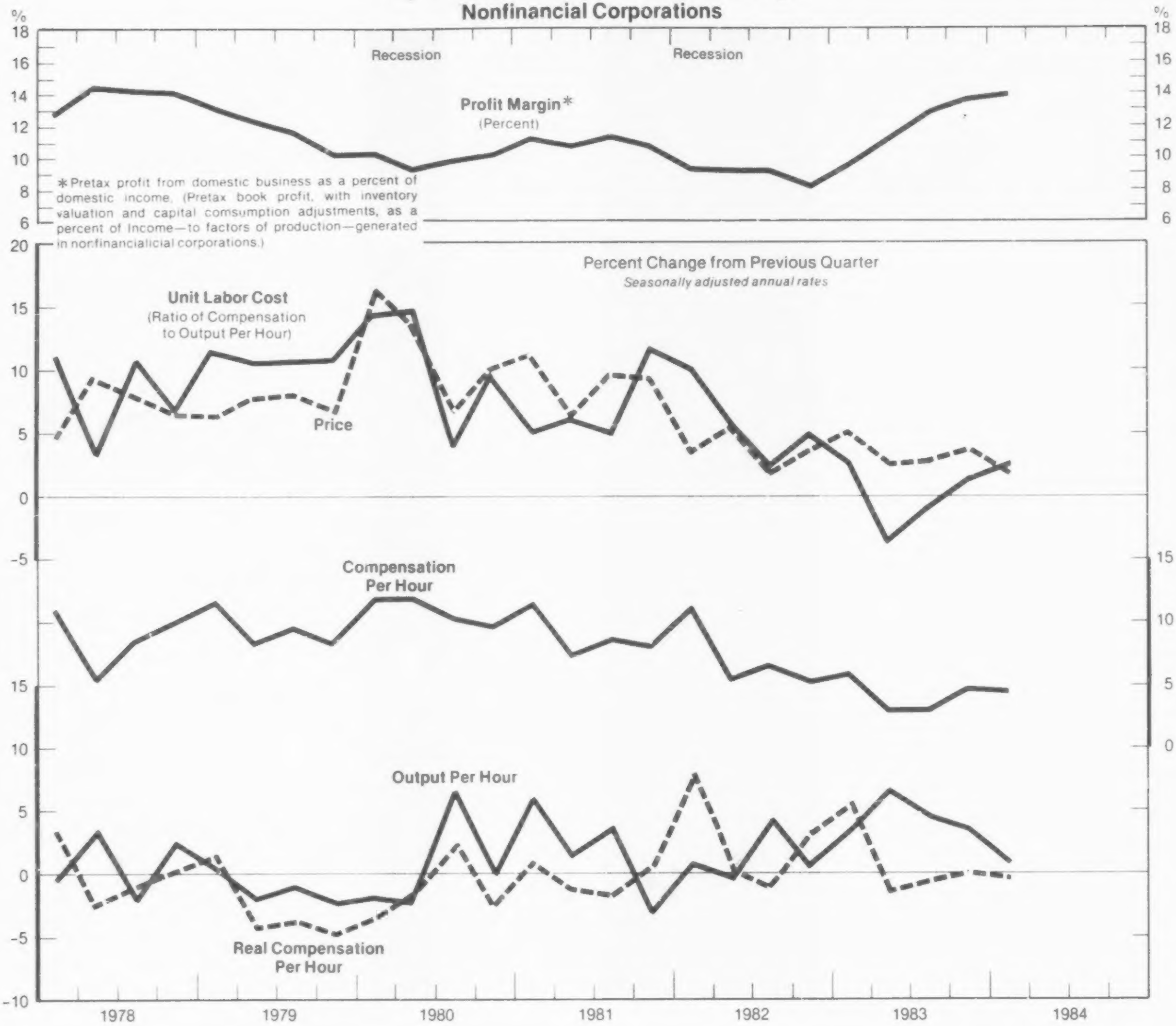
Oil Price



*Source: of Forecast is The Energy Information Administration; Department of Energy.

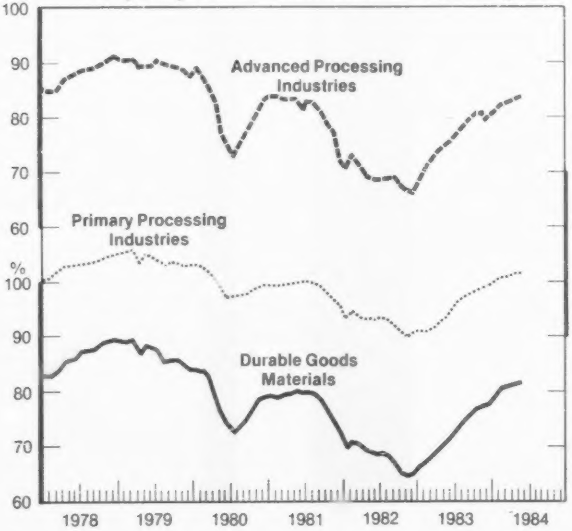
Key Determinants of Profit Margin

Nonfinancial Corporations

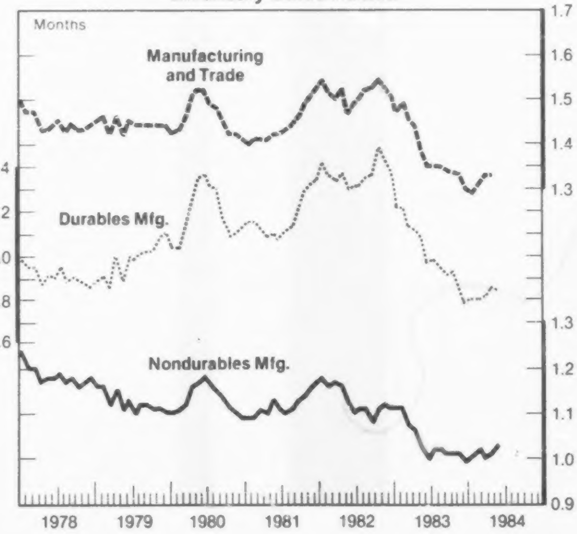


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of Income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*June, 1984*		*May, 1984*		*June, 1984*		*June, 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**I**	**$3550.1**	**13.9%**			**$3550.1**	**13.9%**	**$3550.1**	**13.9%**
		II	3624.8	8.7	3601.9	7.0	3624.7	8.7	3625.7	8.8
		III	3697.9	8.3	3692.8	10.5	3680.3	6.3	3709.2	9.5
		IV	3777.4	8.9	3779.8	9.8	3743.2	7.0	3789.0	8.9
	1985	I	3859.4	9.0	3868.5	9.7	3836.4	10.3	3875.5	9.4
		II	3925.3	7.0	3949.5	8.6	3922.3	9.3	3959.6	9.0
		III	3997.2	7.5	4001.5	5.4	4011.4	9.4	4039.5	8.3
		IV	4080.9	8.6	4071.8	7.2	4101.6	9.3	4113.0	7.5
	1986	I	4169.2	8.9			4118.0	8.7		
		II	4262.5	9.3			4288.9	10.0		
	1984	Annual	3662.6	10.6	3654.0	10.4	3649.6	10.2	3668.5	10.8
	1985	Annual	3965.7	8.3	3972.8	8.7	3967.9	8.7	3996.9	9.0
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**I**	**$1609.3**	**9.7%**			**$1609.3**	**9.7%**	**$1609.3**	**9.7%**
		II	1631.8	5.7	$1613.9	2.0	1632.0	5.8	1632.7	5.9
		III	1647.3	3.9	1630.3	4.1	1643.0	2.7	1650.0	4.3
		IV	1661.1	3.4	1643.7	3.3	1649.0	1.5	1663.3	3.3
	1985	I	1677.1	3.9	1662.2	4.6	1668.0	4.7	1675.3	2.9
		II	1685.1	1.9	1662.2	.0	1687.0	4.6	1688.3	3.1
		III	1694.1	2.2	1659.1	-0.7	1707.0	4.8	1697.5	2.2
		IV	1704.1	2.4	1665.6	1.6	1727.0	4.8	1703.4	1.4
	1986	I	1715.3	2.7			1745.0	4.2		
		II	1727.8	2.9			1765.0	4.7		
	1984	Annual	1637.4	6.7	1623.5	5.7	1633.3	6.4	1638.8	6.7
	1985	Annual	1690.1	3.2	1662.3	2.4	1697.3	3.9	1691.1	3.2
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**I**	**220.6**	**3.9%**			**220.6**	**3.9%**	**220.6**	**3.9%**
		II	222.1	2.8	223.2	4.9	222.1	2.8	222.1	2.7
		III	224.5	4.3	226.5	6.1	224.0	3.5	224.8	5.0
		IV	227.4	5.3	230.0	6.2	227.0	5.5	227.8	5.4
	1985	I	230.1	4.9	232.7	4.9	230.0	5.4	231.3	6.3
		II	232.9	5.0	237.6	8.6	232.5	4.4	234.5	5.6
		III	235.9	5.3	241.2	6.2	235.0	4.4	238.0	6.0
		IV	239.5	6.1	244.5	5.6	237.5	4.3	241.5	6.0
	1986	I	243.1	6.1			240.0	4.3		
		II	246.7	6.1			243.0	5.1		
	1984	Annual	223.7	3.7	225.0	4.4	223.4	3.6	223.8	3.8
	1985	Annual	234.6	4.9	239.0	6.2	233.7	4.6	236.3	5.6
Unemployment Rate										
Actual	**1984**	**I**	**7.9%**		**7.9%**		**7.9%**		**7.9%**	
		II	7.6		7.6		7.6		7.6	
		III	7.3		7.4		7.4		7.3	
		IV	7.1		7.2		7.2		7.0	
	1985	I	7.0		7.2		7.0		6.9	
		II	7.0		7.3		6.9		6.9	
		III	7.1		7.6		6.8		7.0	
		IV	7.2		7.7		6.7		7.0	
	1986	I	7.3				6.8			
		II	7.3				6.8			
	1984	Annual	7.5		7.5		7.5		7.4	
	1985	Annual	7.1		7.5		6.9		7.0	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (first revision) first quarter data.

[2] Based on revised (second revision) first quarter data.

ECONOMIC FORECASTS (continued)

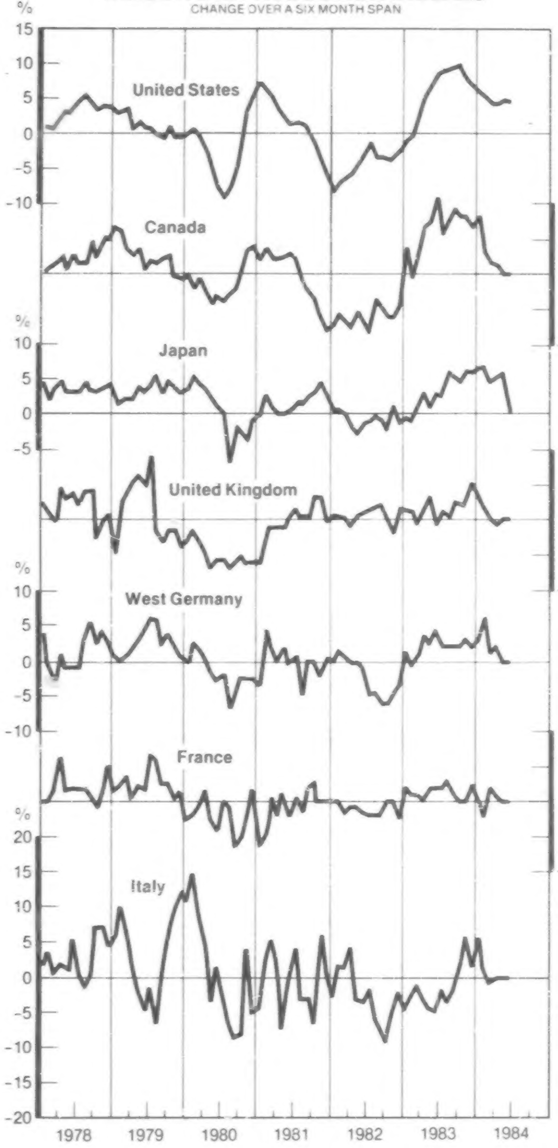
The Conference Board[2]		Chase Econometric Associates, Inc[2].		Data Resources Inc.[3]		Wharton E.F.A. Inc.[2]				
June, 1984		*June, 1984*		*June, 1984*		*June, 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3550.1	**13.9%**	**$3550.1**	**13.9%**	**$3550.1**	**13.9%**	**$3550.1**	**13.9%**	**I**	**1984**	**Actual**
3625.0	8.7	3616.4	7.7	3624.8	8.7	3629.6	9.3	II		
3694.0	7.8	3684.8	7.8	3692.6	7.7	3711.6	9.3	III		
3751.0	6.3	3756.8	8.0	3756.1	7.1	3786.0	8.3	IV		
3789.0	4.1	3829.3	7.9	3818.9	6.9	3872.5	9.5	I	1985	
3845.0	6.0	3879.5	5.3	3855.5	5.0	3939.8	7.1	II		
3940.0	10.3	3928.4	5.1	3921.7	5.9	4010.2	7.3	III		
4042.0	10.8	3998.6	7.3	3993.9	7.6	4083.7	7.5	IV		
		4095.2	10.0	4074.3	8.3	4142.0	5.8	I	1986	
		4186.8	9.3	4162.6	9.0	4194.1	5.1	II		
3655.0	10.4	3652.0	10.3	3655.9	10.4	3669.3	10.8	Annual	1984	
3904.4	6.8	3909.0	7.0	3900.0	6.7	3976.6	8.4	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1609.3	**9.7%**	**$1609.3**	**9.7%**	**$1609.3**	**9.7%**	**$1609.3**	**9.7%**	**I**	**1984**	**Actual**
1631.8	5.7	1628.0	4.7	1631.8	5.7	1633.0	6.0	II		
1645.2	3.3	1642.5	3.6	1645.4	3.4	1652.0	4.7	III		
1651.2	1.5	1654.2	2.9	1655.8	2.6	1666.7	3.6	IV		
1647.2	-1.0	1662.7	2.1	1663.6	1.9	1681.2	3.5	I	1985	
1651.3	1.0	1663.3	.1	1665.9	.6	1688.5	1.7	II		
1670.6	4.8	1664.7	.3	1671.1	1.3	1694.2	1.4	III		
1690.3	4.8	1672.0	1.8	1679.4	2.0	1698.7	1.1	IV		
		1685.9	3.4	1690.3	2.6	1697.8	-.2	I	1986	
		1702.3	3.9	1703.6	3.2	1696.9	-.2	II		
1634.4	6.5	1633.5	6.4	1635.6	6.5	1640.3	6.8	Annual	1984	
1664.8	1.9	1665.7	2.0	1670.0	2.1	1690.7	3.1	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
220.6	**3.9%**	**220.6**	**3.9%**	**220.6**	**3.9%**	**220.6**	**3.9%**	**I**	**1984**	**Actual**
222.1	2.8	222.1	2.8	222.1	2.8	222.3	3.1	II		
224.5	4.4	224.3	4.0	224.4	4.2	224.7	4.4	III		
227.2	4.8	227.1	5.0	226.8	4.4	227.2	4.5	IV		
230.0	5.1	230.3	5.8	229.6	4.9	230.3	5.7	I	1985	
232.9	5.0	233.2	5.2	232.0	4.4	233.3	5.3	II		
235.8	5.2	236.0	4.8	234.7	4.6	236.7	5.9	III		
239.1	5.6	239.2	5.5	237.8	5.5	240.4	6.4	IV		
		242.9	6.4	241.0	5.5	244.0	6.1	I	1986	
		245.9	5.1	244.3	5.6	247.2	5.4	II		
223.6	3.7	223.5	3.7	223.5	3.7	223.7	3.8	Annual	1984	
234.5	4.9	234.7	5.0	233.5	4.5	235.2	5.2	Annual	1985	
								Unemployment Rate		
7.9%		**7.9%**		**7.9%**		**7.9%**		**I**	**1984**	**Actual**
7.7		7.5		7.6		7.5		II		
7.6		7.2		7.3		7.4		III		
7.5		7.0		7.2		7.2		IV		
7.7		7.2		7.2		7.0		I	1985	
7.8		7.6		7.4		6.9		II		
7.5		8.0		7.6		7.1		III		
7.3		8.5		7.7		7.4		IV		
		8.5		7.8		7.7		I	1986	
		8.4		7.9		7.9		II		
7.7		7.4		7.5		7.5		Annual	1984	
7.6		7.8		7.5		7.1		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

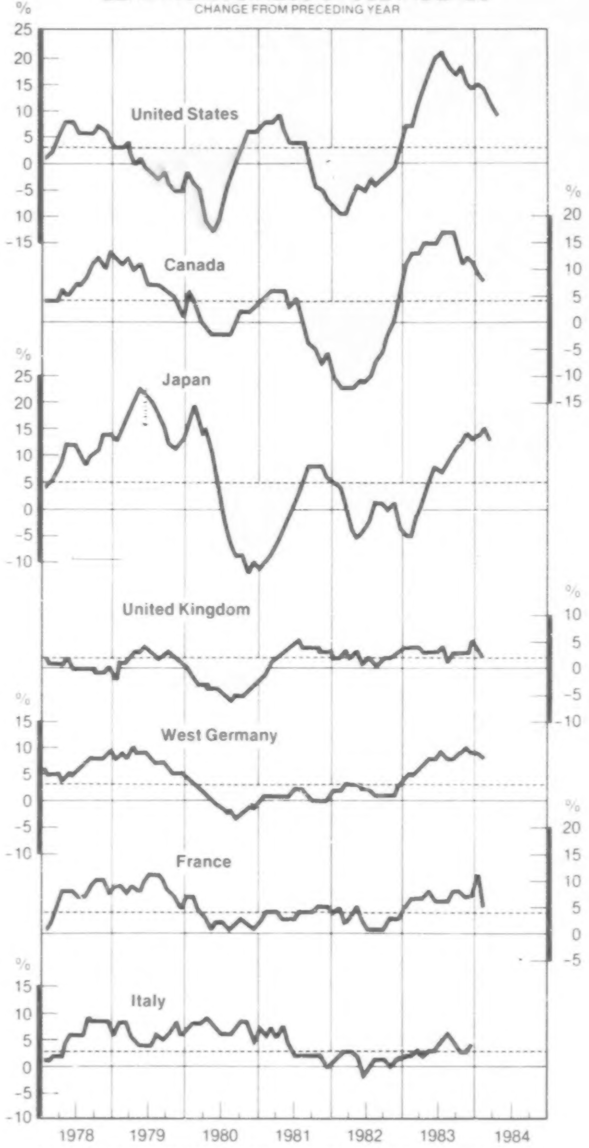
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



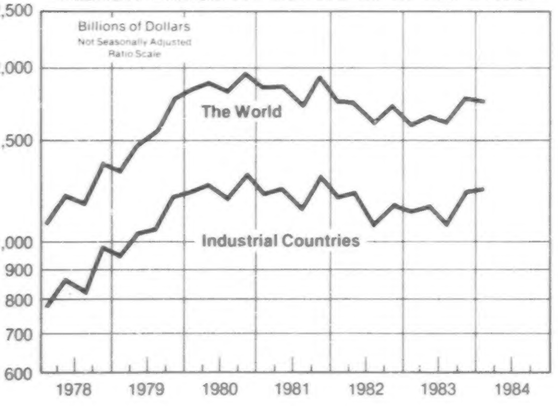
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

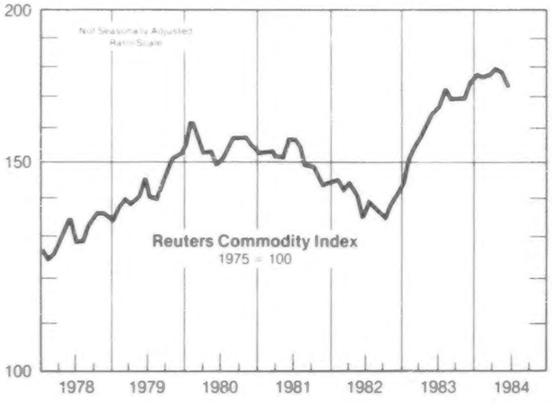


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

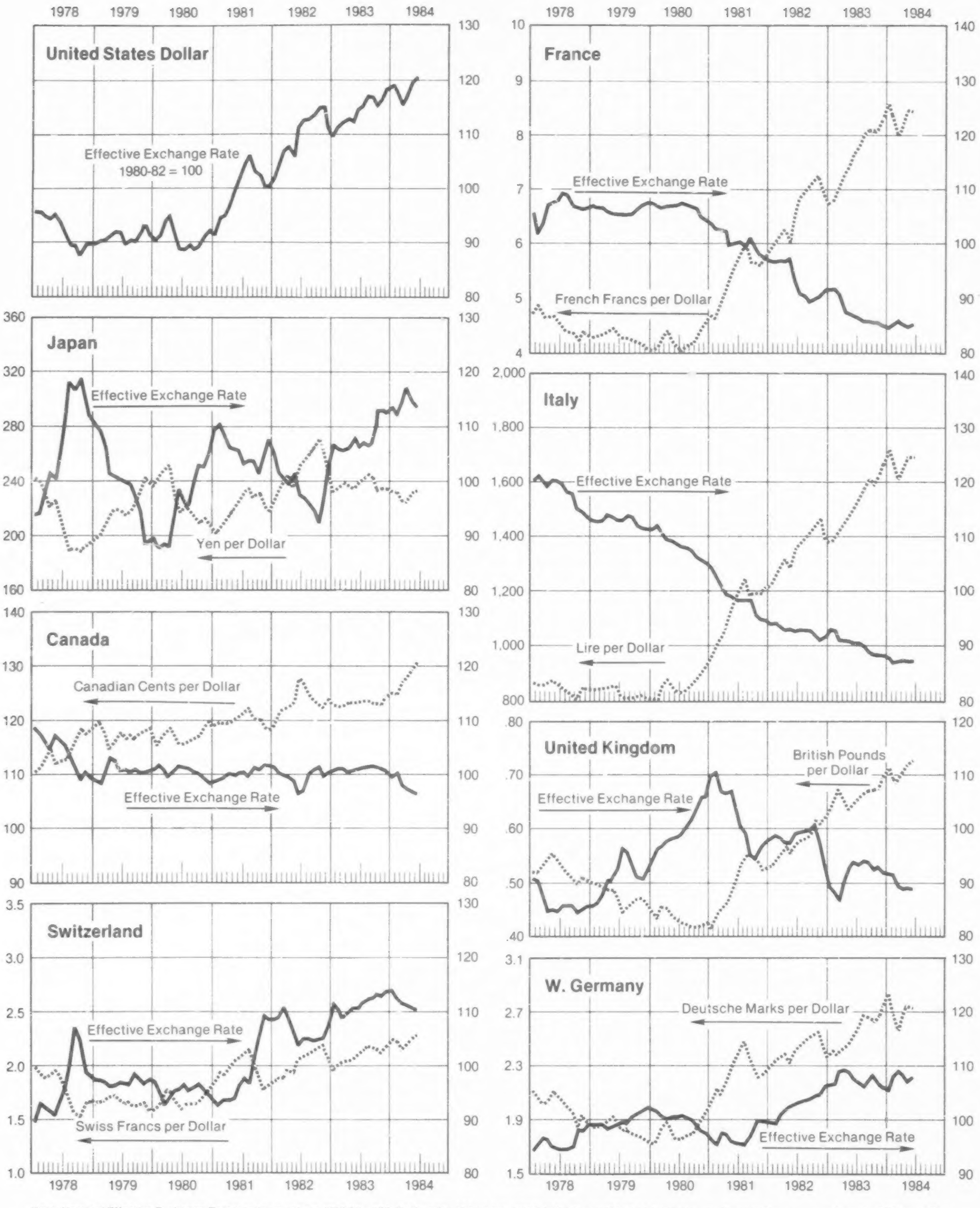


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



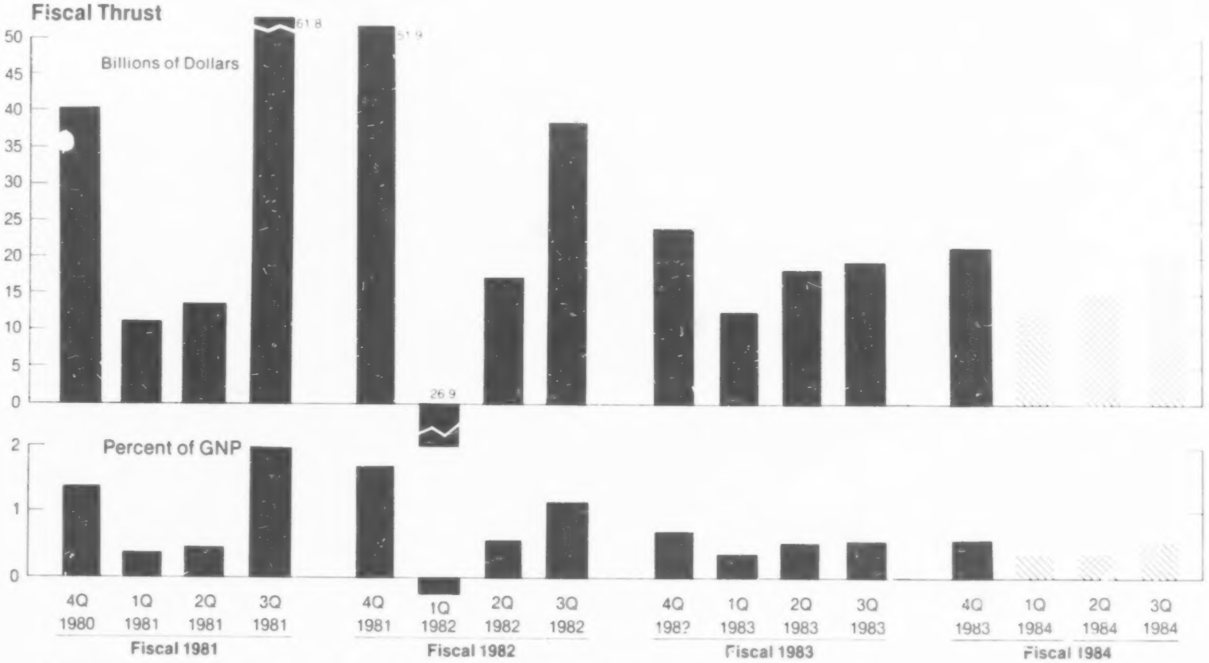
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

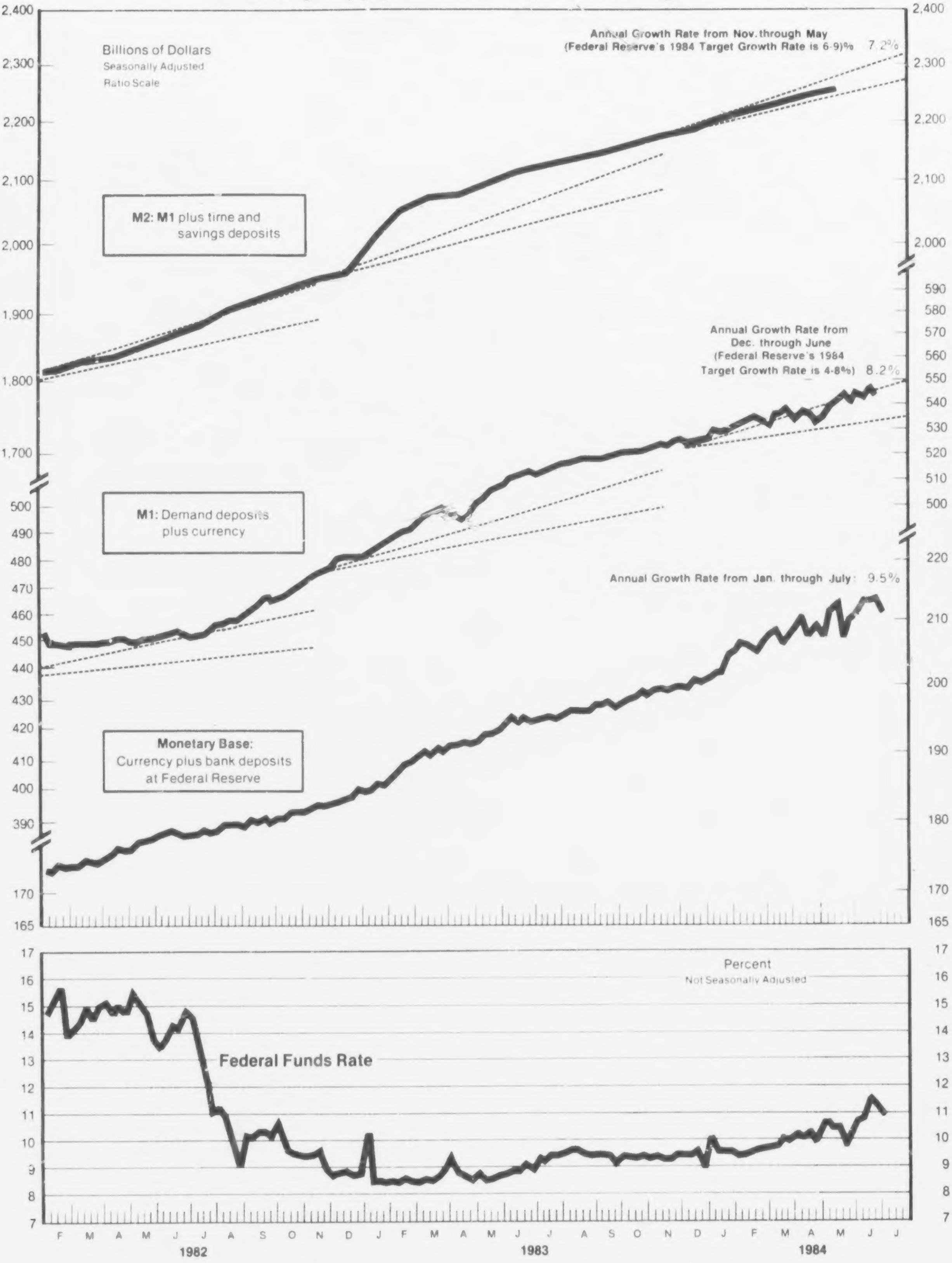
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual (2/1/84)	President's Proposal (4/10/84)	Congressional Estimate (2/7/84)	Current Service (2/1/84)	President's Proposal (4/10/84)	Congressional Estimate (2/7/84)
Receipts	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Outlays	**796.0**	**850.5**	**853**	**944.9**	**932.0**	**927**
Deficit	**-195.0**	**-177.8**	**-190**	**-207.7**	**-179.0**	**-193**
Receipts by source	**600.6**	**672.7**	**663**	**737.3**	**753.1**	**734**
Individual income taxes	288.9	296.0	294	323.4	331.9	329
Corporate income taxes	37.0	65.7	62	75.5	77.0	65
Social insurance	209.0	241.5	237	269.0	271.2	269
Other receipts	65.7	69.5	70	69.4	73.0	71
Outlays by function	**796.0**	**850.5**	**835**	**944.9**	**932.0**	**927**
National defense	209.9	237.6	235	284.2	272.0	263
Social security and medicare	223.3	239.6	241	261.4	259.6	260
Income security	122.2	95.1	97	116.9	112.7	115
Health	28.7	30.5	31	34.4	32.7	34
Education and manpower	26.6	28.4	28	29.0	28.0	29
Transportation	21.4	25.9	27	27.4	27.0	27
Veterans' benefits	24.8	26.0	26	26.6	26.6	26
International affairs	9.0	13.1	11	14.1	17.6	12
National resources and environment	12.7	12.4	12	11.8	11.5	12
Agriculture	22.2	9.6	10	14.3	16.5	12
General science	7.7	8.2	8	8.4	8.7	9
Community development	6.9	7.5	8	7.7	7.7	8
Revenue sharing	6.5	6.7	7	6.8	6.6	7
General government	4.8	5.4	6	5.7	5.7	6
Justice	5.1	5.9	6	6.2	6.1	6
Energy	4.0	2.6	3	3.4	2.8	4
Commerce and housing credit	4.4	3.1	4	1.6	0.6	3
Interest	89.8	109.5	108	117.9	123.0	127
Allowances			1	1.5	0.9	1
Undistributed offsetting receipts	-34.0	-16.5	-16	-34.6	34.4	-34

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB 81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



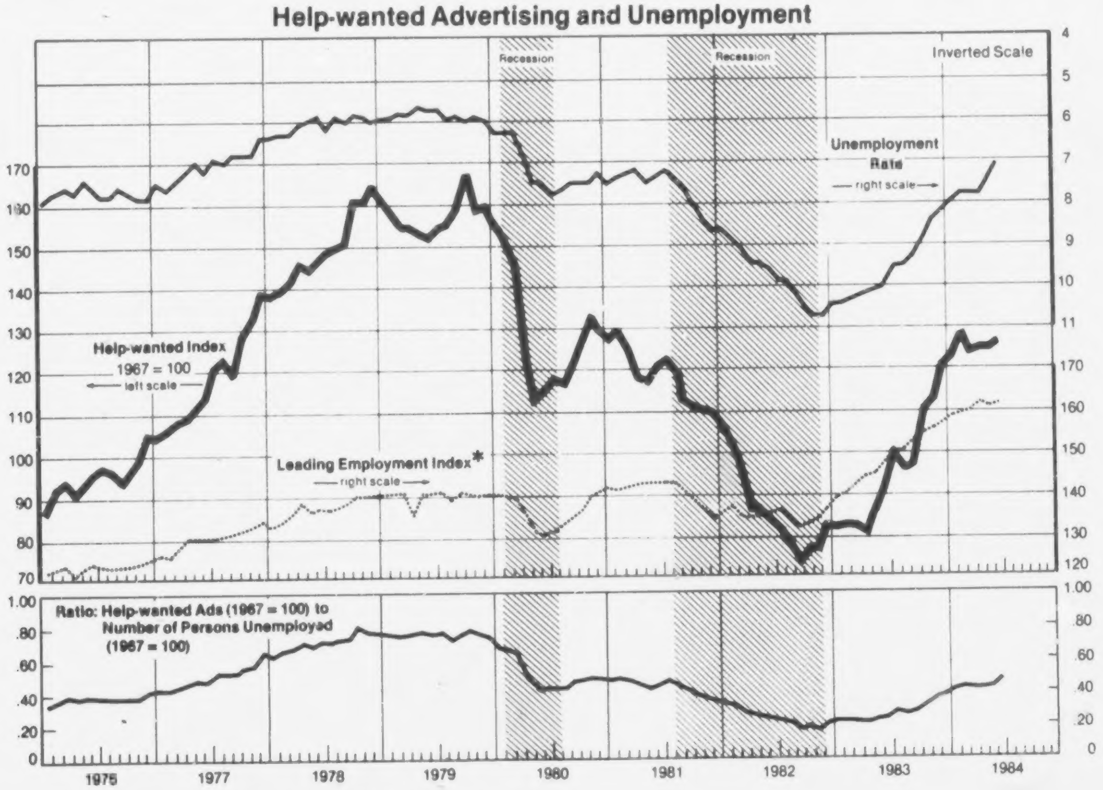
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984 May	1984 Apr.	1984 Mar.	1983 May
Total Index 51 papers	125	124	124	87
New England	141	137	133	94
Boston	159	155	151	107
Hartford	136	129	121	92
Providence	84	81	84	53
Middle Atlantic	58	58	57	45
Albany	123	120	124	77
Allentown	121	150	123	87
New York	53	50	50	43
Philadelphia	49	52	49	38
Pittsburgh	52	51	52	44
Rochester	63	69	63	43
Syracuse	85	87	82	58
East North Central	73	73r	71	46
Chicago	92	90	90	44
Cincinnati	87	90	87	66
Cleveland	44	48	44	36
Columbus	91	98	91	69
Dayton	59	59	57	46
Detroit	52	53	53	35
Gary	87	74	83	86
Indianapolis	78	74	58	56
Milwaukee	43	46	50	32
Toledo	82	84r	78	62
West North Central	73	75	73	50
Kansas City	97	93	94	69
Minneapolis	65	71	68	38
Omaha	109	119	114	85
St. Louis	57	57	54	42
South Atlantic	144	141	149	105
Atlanta	258	259	261	168
Baltimore	104	80	93	79
Charlotte	131	138	141	86
Jacksonville	191	186	195	157
Miami	78	80	94	65
Richmond	67	86	86	66
Washington, D.C.	142	143	151	103
East South Central	116	120r	117	84
Birmingham	126	114r	116	97
Knoxville	182	183	184	130
Louisville	65	61	61	45
Memphis	104	99	108	80
Nashville	142	185	155	95
West South Central	282	271	275	192
Dallas	412	367	389	242
Houston	336	339	343	242
New Orleans	141	146	129	112
Oklahoma City	150	153	147	124
San Antonio	210	209	201	154
Tulsa	146	138	137	108
Mountain	294	296r	282	192
Denver	188	234r	208	122
Phoenix	416	400	409	290
Salt Lake City	326	270	246	191
Pacific	184	186r	186	133
Los Angeles	144	148	150	101
Sacramento	289	297	290	213
San Bernardino	143	192	146	101
San Diego	366	357	380	239
San Francisco	200	185r	188	150
Seattle	183	186	185	158
Percentage of papers with rising volume	41%	53%	16%r	86%
Unemployment rate	7.5%	7.8%	7.8%	10.2%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

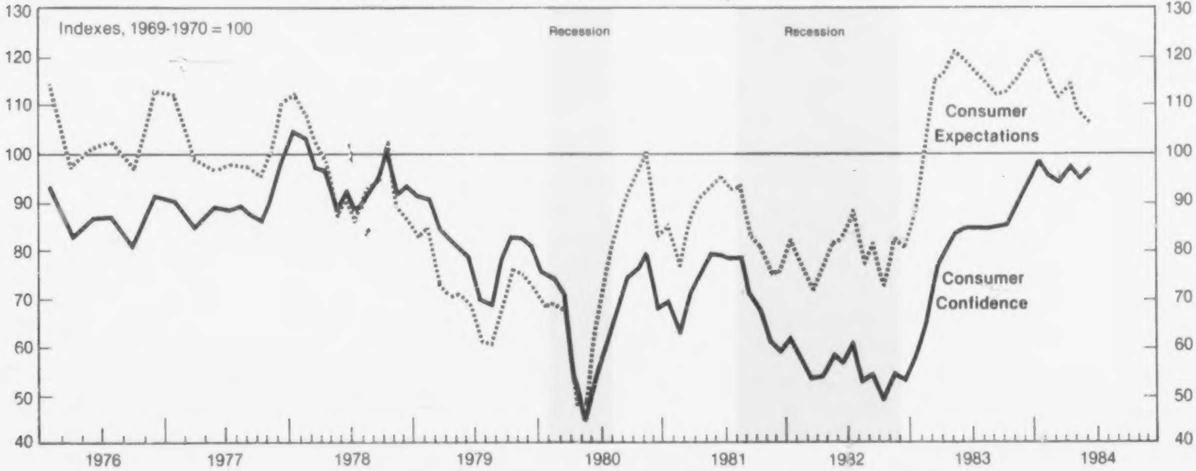
Indexes, 1969-1970 = 100
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Consumer Confidence Index												
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1p						
Buying Plans Index												
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1r	122.3p						

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

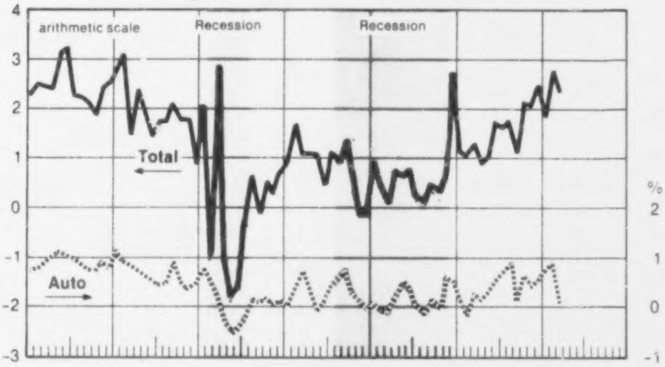
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

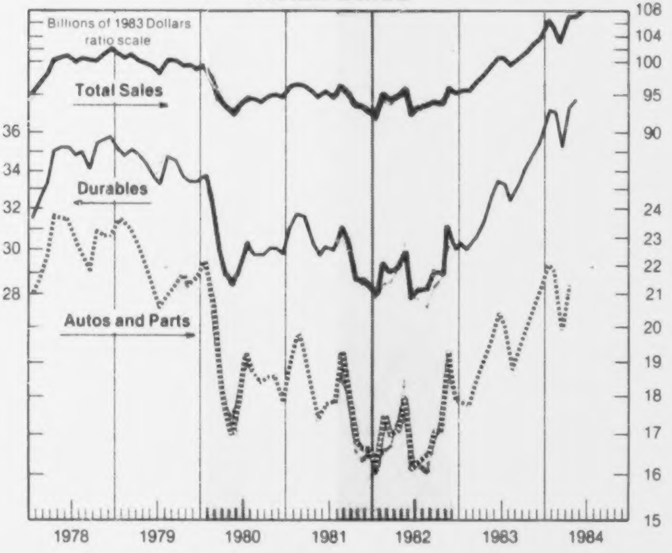
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



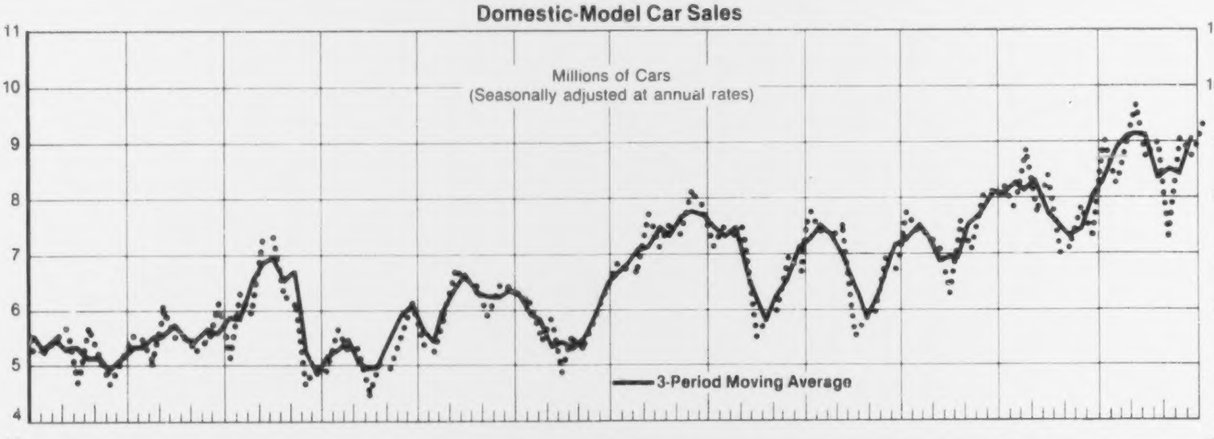
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

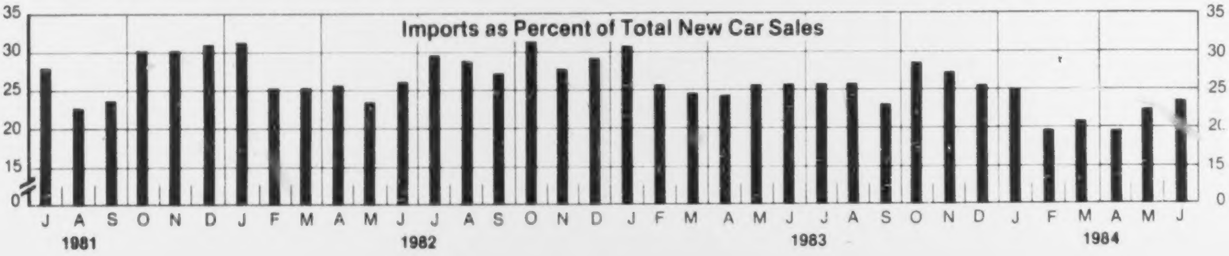
Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	8.70
	21-31	5.94	6.25	7.55	8.99
June:	1-10	6.09	6.10	7.34	7.37
	11-20	5.99	4.68	8.12	9.12
	21-30	6.06	4.94	7.88	8.74
July:	1-10	6.09	4.92	7.16	9.39
	11-20	6.47	5.61	7.42	
	21-31	5.89	5.30	7.37	
August:	1-10	7.31	5.35	7.51	
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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Volume 17, No. 8, August, 1984

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The Conference Board

COMMENT

July and August are supposed to be the lazy, hazy days of Summer. The economic outlook is certainly as hazy as ever but the economic news, upon which the forecasts are based, has been anything but lazy this Summer. Revised National Income Accounts show that more economic growth was generated throughout the first half of 1984 than most economy-watchers had anticipated—especially in view of the runup in the prime interest rate, from 11½% at the beginning of the year to 13% at mid-year. All that expansion, however, did nothing to disturb a very restful inflation rate. Obviously, high interest rates were not so high as to constrain business from expanding at a very rapid pace—at least not yet. Just as obviously, business activity was able to grow sharply without setting off a new inflationary spiral. Of course, the *Economic Forecasts* have been saying for some time now that inflation would not take off in 1984 or 1985 (see the accompanying charts). The financial markets have been leery of accepting this perceived wisdom, given the growth rate of money, the huge Federal Government deficits, and other factors. There is some evidence, however, that inflation expectations have finally begun to subside this Summer.

Prices are not rising very fast because the dollar is very strong, because food and other commodity prices remain stable, and, perhaps most importantly, because unit labor costs remain subdued. The trade-weighted average *Exchange Rate* of the dollar against other major currencies was 124.1 (1980-1982 = 100) in July, or 24% higher than its base-period value. The dollar was roughly 10% below this base-period value through most of 1979 and 1980. It has subsequently risen a dramatic 35% over the past 3½ years. Commodity prices, which typically fall during recessions but recover lost ground after the economy starts expanding again, have been restrained by the high value of the dollar. The imported price of oil, for example, fell to $29 a barrel in 1981, and has not changed since then. In fact, due in part to a strong dollar and some excess of production over demand, the price of oil may be reduced by about $2 a barrel this Fall. Moreover, the food component of the producer price index rose in July for the first time since March. Crop production appears to be high enough this season to keep food price increases from fueling any acceleration in consumer prices for at least the second half of this year.

The best hope for preventing an acceleration of inflation lies in avoiding an acceleration in cost increases. That will require maintaining a rising productivity trend and sticking to a moderate rate of employee compensation. As indicated on the *Key Determinants of Profit Margins* chart, output per hour in the nonfinancial corporate sector recovered quickly once the economy began expanding again in the last few months of 1982. The labor productivity measure continued to rise at about a 3½% annual rate in the first half of this year. The chart also shows that the rise in compensation per hour slowed from about a 10% annual rate in 1980 to something closer to 4% in the first half of this year. The rate of increase in unit labor costs, then, declined from over 10% to a surprisingly low 2% over this same period. This slowing in production costs explains a good deal of the drop in the rate of price increases.

In the past, the gains in compensation typically began to speed up, and increases in labor productivity became more difficult to achieve, as the economic expansion matured. Prices, consequently, began to rise faster, due to higher production costs. It would not be cause for alarm, then, if compensation gains quickened a little, or if productivity gains slowed a bit as this economic expansion passes its second anniversary this Fall. If the rise in compensation remains below 7%, and the gain in productivity does not fall below 1½%, unit labor cost will not begin to rise by more than 6%, and, presumably, neither will prices.

The *Economic Forecasts* indicate that the GNP deflator, which rose by a seasonally adjusted 3.2% annual rate in the second quarter of 1984, is only rising by about 3.6%—median of the forecasts—in the current quarter. The median forecast of inflation remains close to 5% through 1985, and quickens to just under 6% in the first three quarters of 1986 (forecast horizon).

Why should short-term interest rates remain high, and rise a little, when inflation remains subdued and prospects look good for continued low inflation? The most likely answer is that the short-term rates reflect concern about high Federal Government deficits, and the dim prospects for reducing deficits once the Administration and Congress get past the November elections. Revised data on the *Perspective on the Federal Budget* table show that the Administration now projects spending is exceeding revenues by about $170 billion in this fiscal year, and by about the same amount in fiscal 1985 (which begins on Oct. 1, 1984). Congressional estimates of the deficit for these two fiscal years are comparable.

Absent changes in the tax structure or in spending patterns, deficits might actually widen (congressional estimates) or only decline very slowly (Administration estimates) after fiscal 1985. Deficits of that magnitude,

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STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
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Ottawa, Ontario, K1L-6R3, Canada

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New York, New York 10022

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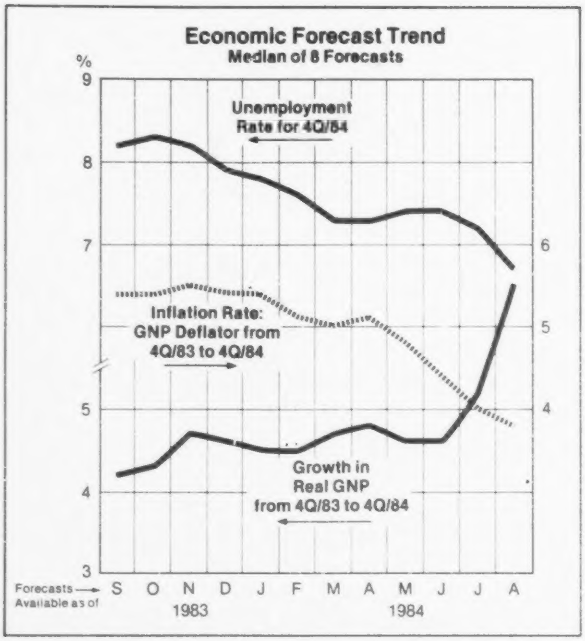


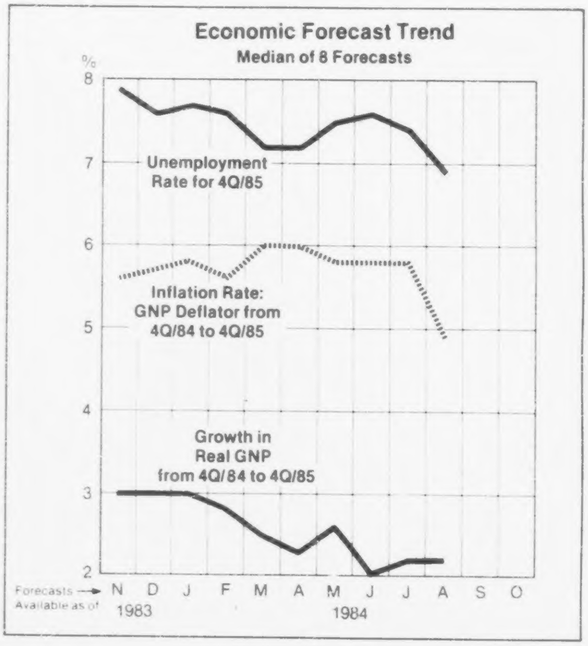
stretching that far into the future, raise the spector of a sustained crush of public and private credit demand in relation to its supply. Wall Street lit up like a firecracker in July when the Federal Reserve Chairman testified that a strong economic expansion, that had not ignited any renewed inflation spiral, did not warrant further tightening of monetary policy. However, the Fed has also announced growth targets for the money aggregates for the period from November, 1984, to November, 1985. These new targets lop a full percent off the top end of the ranges now in effect. Thus, while no tightening of policy is contemplated, no retreat from the current, relatively disciplined monetary stance is in store—even if short-term interest rates should move up a bit.

While the prime interest rate remained at 13.5% in July, other short rates rose a bit but some longer-term rates declined. The Federal Funds rate—the rate at which banks borrow from other banks—rose from about 11% at the beginning of July to about 11.5% at the end of that month. Conversely, the rate on 5-year Treasury securities declined from about 13½% to 13% in the same period. Longer-term interest rates would not be declining, and the yield curve (essentially the difference between the short- and long-term interest rates) would not be flattening, unless lenders were becoming less nervous about any potential runup in inflation. The implication in the financial market moves this Summer seems to be that inflationary expectations of the market participants have been lowered. That, in turn, suggests that a peak in long-term interest rates may have already been reached, even if growth in economic activity should turn sluggish for a short while next year.

Even if the long rates have peaked, there is no reason to suspect that the very high short-term interest rates have likewise topped out. Those high borrowing rates, the big trade deficit, and the high value of the dollar are all barriers to sustained strong economic growth. Thus, while the news reports and developments this Summer gave rise to a substantial reappraisal of growth prospects for this year, no such revaluation of prospects for next year has occurred. The accompanying chart shows that the median forecast for real output growth from the fourth quarter of 1983 to the fourth quarter of 1984 has been revised upward from 4.6% only two months ago to a current expectation of 6.5 percent. On the other hand, two months ago, the *Economic Forecasts* indicated that growth would slow in the succeeding 4-quarter span to only about 2% and, as indicated on the chart, subsequent developments have not produced much change in that 1985 growth estimate.

The strong expansion in the first half of this year generated a big surge in new employment. The unemployment rate, consequently, declined from 7.8% in February, to 7.5 percent. The *Conference Board's Help-wanted Index* rose sharply in June to 134 (1967 = 100), and early returns indicate that it may have risen another 3 or 4 points in July. This measure of labor demand is pointing to continued labor-market improvement in the second half of 1984. The current *Economic Forecasts* show that the national unemployment rate might fall to 6.7% by the fourth quarter of this year; two months earlier, they did not expect to see it drop below 7½% by that time. However, sluggish growth prospects next year imply that the unemployment rate may not drop below 6.7% in all of 1985.

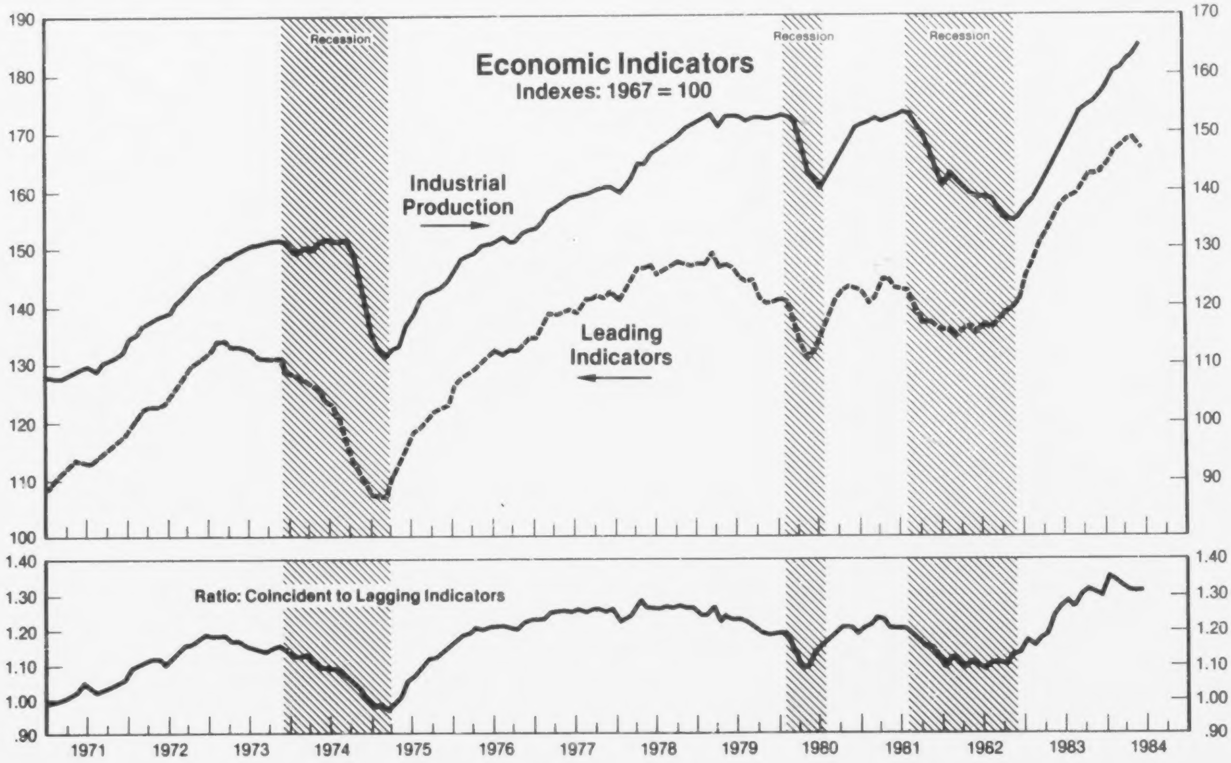
Ken Goldstein
Aug. 10, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	June		X		— 0.1%	+ 6.4%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	June		X		— 0.8%	+ 10.8%
New orders, nondefense capital goods (deflated)	June		X		— 0.3%	+ 11.2%
*New business formation	June			X	— 1.5%	— 0.5%
*Housing permits	June		X		+ 2.4%	+ 0.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	June			X	— 3.5%	+ 6.9%
*Change in inventory, on hand & order (deflated)	May		X		+ 8.9%	+ 36.0%
Purchasing agents' buying policy	July			X	— 6 %	+ 14 %
*Vendor performance, reported slower deliveries	June		X		— 1 %	+ 5 %
Industrial raw materials prices	July			X	— 3.0%	+ 9.7%
*Change in sensitive material prices	June			X	— 0.5%	— 1.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	June	X			+ 1.0%	+ 3.0%
Change in business loans	June	X			—61.1%	+ 55.1%
*Change in credit outstanding	May	X			+ 11.5%	+ 30.9%
Change in consumer installment debt	May	X			+ 43.5%	+ 95.5%
Profitability						
Total corporate profits, after tax (deflated)	1st Q	X			+ 6.9%	+ 45.2%
*Common stock prices	July			X	— 4.3%	— 9.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	July			X	— 0.5hr	+ 0.4hr
*Initial unemployment claims (inverted)	July		X		+ 0.5%	+ 5.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



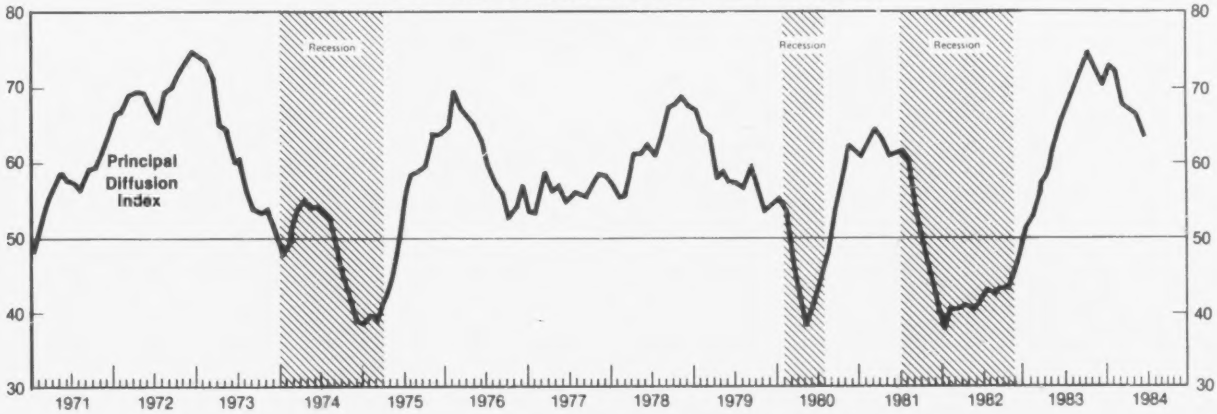
CONFERENCE BOARD DIFFUSION INDEXES

	1983	1984			
DIFFUSION INDEXES	June	Mar.	Apr.	May.	June(e)
Principal Diffusion Index	65.6r	67.8r	67.1r	66.3r	63.4
Auxillary Diffusion Index	62.6r	40.3r	47.6r	47.5r	40.5
Industrial Group	67.3	74.9	69.3r	67.1r	63.6
Nonindustrial Group	64.0r	60.8r	64.9r	65.5r	63.2
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	67.9	61.3	56.0	51.1r	46.6
Labor	65.9	78.1	75.3	75.4	72.3
Miscellaneous	69.9	87.2	74.4	70.5	67.3
Nonindustrial Subgroups					
Prices	64.1	63.5	69.2	66.7	56.4
Consumer	77.8	68.8	73.1	76.9	75.6
Building	51.9	60.3	66.0	63.5r	69.2
Miscellaneous	58.1r	51.3r	53.0r	54.7	51.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981	*1982*			*1983*				*1984*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	43	47	52	55	60	70	76	75	74	70	65
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	26	23	30	38	44	65	76	82	80	76	75
2. Expectations for Economy, Six Months Ahead	51	59	64	65	70	76	78	74	73	67	60
Expectations for Own Industry, Six Months Ahead	52	58	61	61	65	70	72	69	70	67	61

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1982		1983				1984	Percent Change From Previous Year		
	III	IV	I	II	III	IVr	Ip	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	18.439	21.488	20.176	20.633	22.200	25.170	27.880	−18	1	17
Capital expenditures	23.991	22.887	18.841	18.643	18.072	20.033	19.585	−3	−23	25
Change in appropriations backlog*	−8.726	−3.395	−0.716	+1.121	+1.008	+1.503	+6.330			
Durable Goods										
New appropriations	7.724	8.238	8.197	9.453	8.843	11.331	13.927	−24	17	6
Capital expenditures	9.684	8.949	7.918	7.655	7.594	8.919	8.620	−7	−19	31
Change in appropriations backlog*	−4.556	−1.351	−0.606	+1.291	+0.929	+1.112	+4.306			
Nondurable Goods										
New appropriations	11.215	13.250	11.979	11.180	13.357	13.839	13.953	−14	−9	25
Capital expenditures	14.307	13.938	10.923	10.988	10.478	11.114	10.965	0	−26	21
Change in appropriations backlog*	−4.170	−2.044	−0.110	−0.170	+0.079	+0.391	+2.024			
ELECTRIC & GAS UTILITIES										
New appropriations	10.624	9.939	7.664	6.713	5.771	7.200	5.338			
Capital expenditures	8.905	9.384	9.041	9.292	9.043	8.366	8.703			
Change in appropriations backlog*	+0.504	−4.709	−4.812	−7.024	−3.925	−3.758	−4.832			

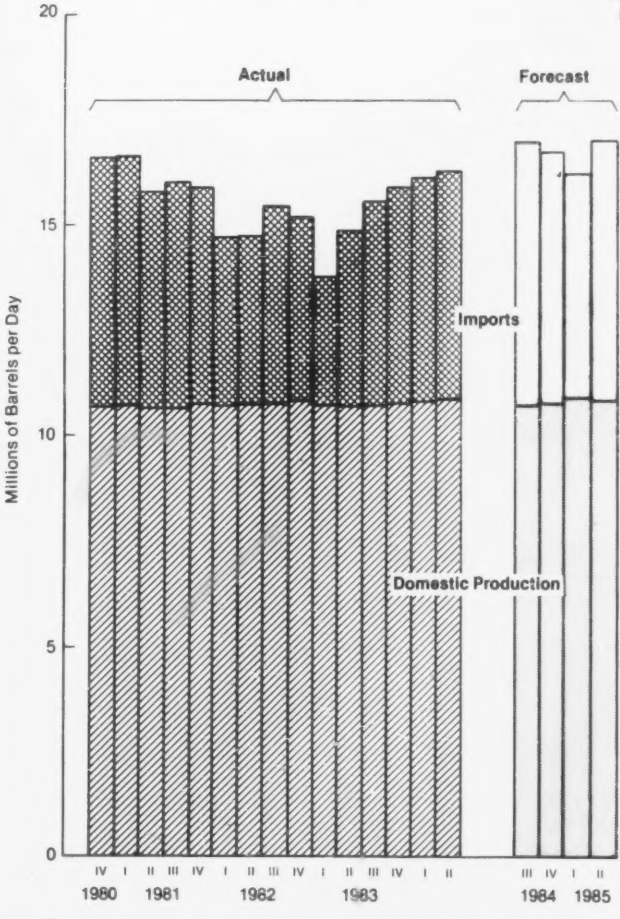
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

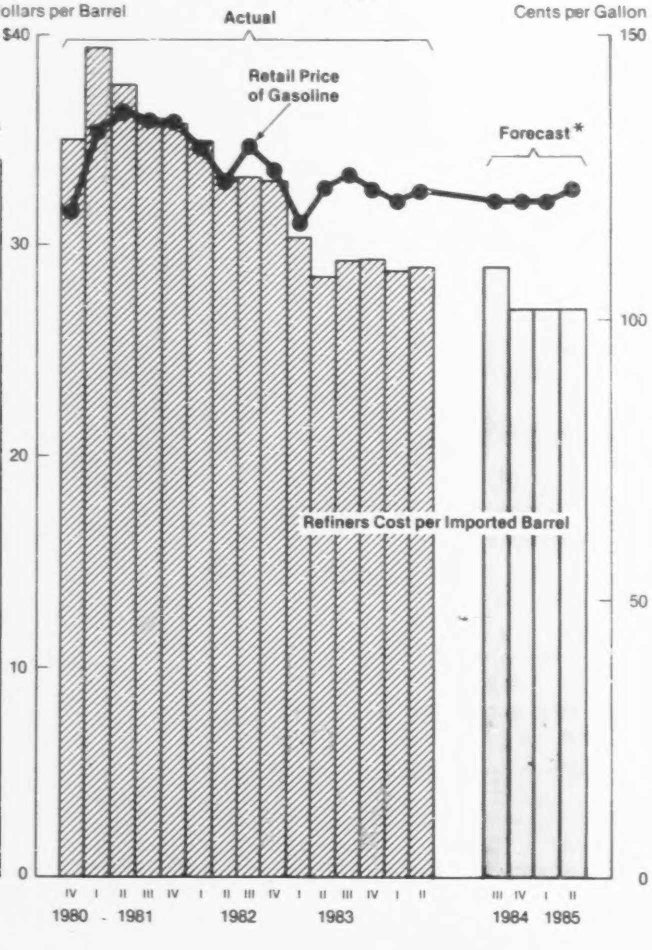
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



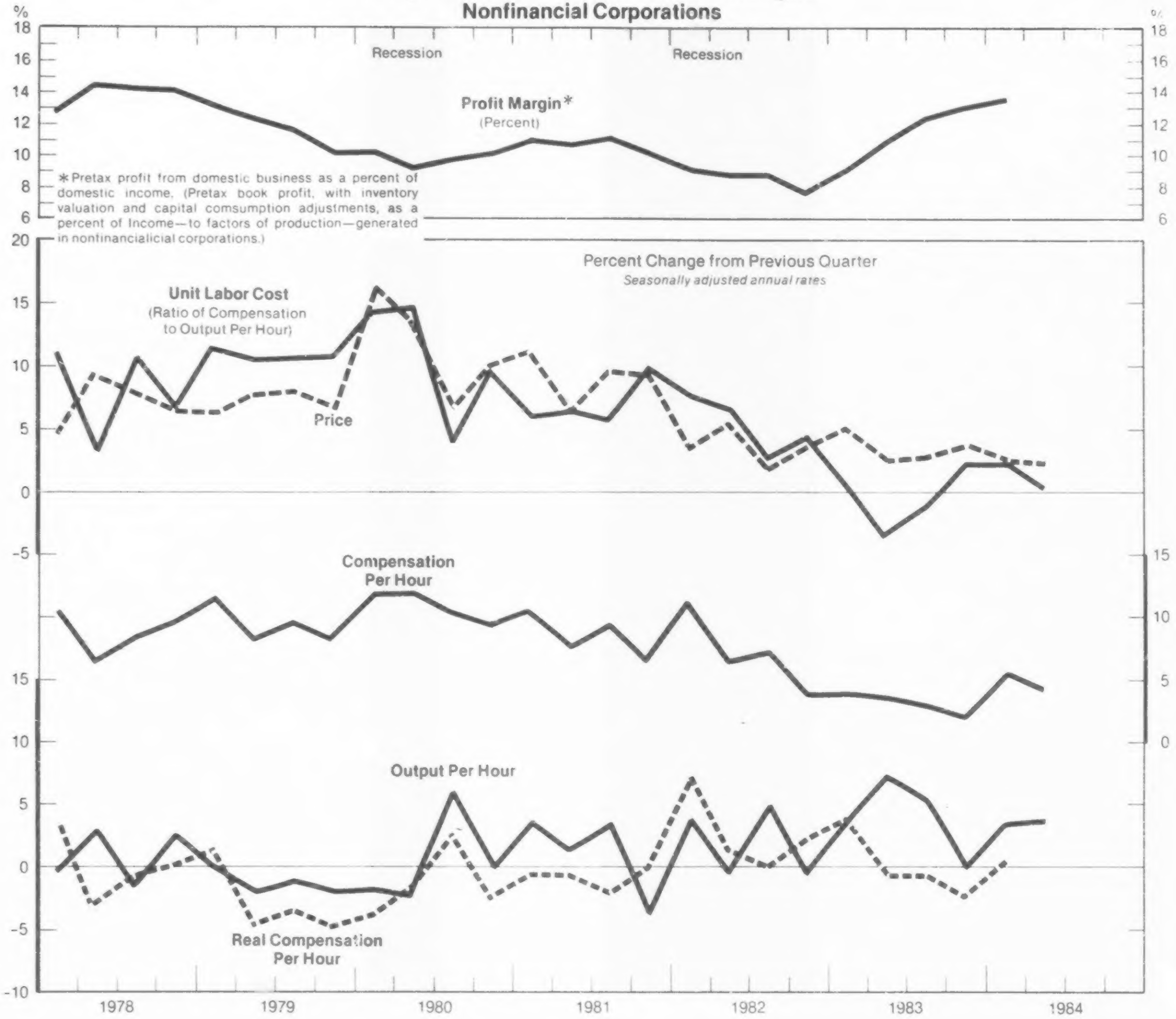
Oil Price



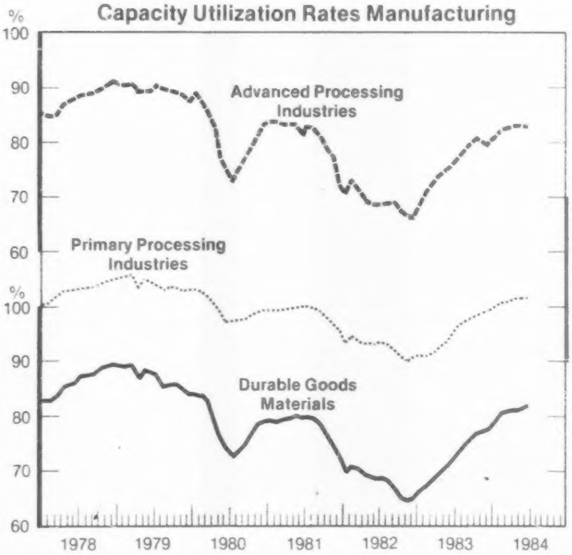
*Source: of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin

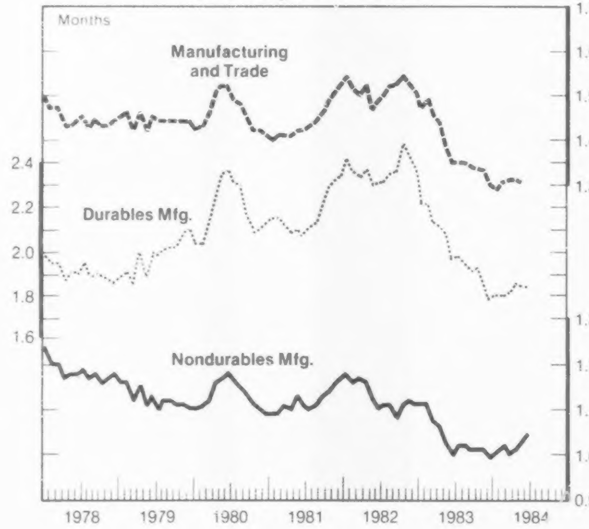
Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[1]		Georgia State University[1]	
Date of Forecast			*July, 1984*		*July, 1984*		*July, 1984*		*July, 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**II**	**$3646.4**	**10.9%**	**$3646.4**	**10.9%**	**$3646.4**	**10.9%**	**$3646.4**	**10.9%**
		III	3732.2	9.7	3723.5	8.7	3709.4	7.1	3725.3	8.9
		IV	3806.7	8.2	3792.7	7.6	3764.2	6.0	3791.8	7.3
	1985	I	3884.3	8.4	3857.5	7.0	3825.8	6.7	3878.7	9.5
		II	3942.6	6.1	3943.1	9.2	3920.8	10.3	3952.1	7.8
		III	4008.3	6.8	3987.5	4.6	4016.9	10.2	4028.8	8.0
		IV	4089.8	8.4	4047.2	6.1	4118.9	10.6	4109.1	8.2
	1986	I	4176.9	8.8			4195.9	7.7	4196.1	8.7
		II	4271.1	9.3			4289.8	9.3	4281.0	8.3
		III	4368.6	9.4			4366.8	7.4		
	1984	Annual	3684.7	11.5	3679.0	11.3	3668.3	11.0	3679.2	11.3
	1985	Annual	3981.3	8.0	3958.8	7.6	3970.6	8.2	3992.2	8.5
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**II**	**$1640.2**	**7.5%**	**$1640.2**	**7.5%**	**$1640.2**	**7.5%**	**$1640.2**	**7.5%**
		III	1663.3	5.8	1661.0	5.2	1656.0	3.9	1661.3	5.2
		IV	1680.1	4.1	1674.6	3.3	1666.0	2.4	1671.2	2.4
	1985	I	1694.8	3.5	1683.4	2.1	1678.0	2.9	1686.9	3.8
		II	1702.7	1.9	1699.1	3.8	1701.0	5.6	1699.0	2.9
		III	1711.9	2.2	1696.3	-0.7	1724.0	5.5	1711.4	3.0
		IV	1723.6	2.8	1700.7	1.0	1749.0	5.9	1723.5	2.9
	1986	I	1736.7	3.1			1763.0	3.2	1732.9	2.2
		II	1751.4	3.4			1780.0	3.9	1743.9	2.6
		III	1766.3	3.4			1786.0	1.4		
	1984	Annual	1648.6	7.4	1646.7	7.3	1643.3	7.1	1645.9	7.2
	1985	Annual	1708.3	3.6	1694.9	2.9	1713.0	4.2	1705.2	3.6
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**II**	**222.3**	**3.2%**	**222.3**	**3.2**	**222.3**	**3.2%**	**222.3**	**3.2%**
		III	224.4	3.8	224.2	3.4	224.0	3.1	224.2	3.5
		IV	226.6	4.0	226.5	4.2	225.9	3.5	226.9	4.8
	1985	I	229.2	4.7	229.1	4.8	228.0	3.7	229.9	5.5
		II	231.5	4.2	232.1	5.2	230.5	4.5	232.6	4.7
		III	234.1	4.6	235.1	5.3	233.0	4.4	235.4	4.9
		IV	237.3	5.5	238.0	5.0	235.5	4.4	238.4	5.2
	1986	I	240.5	5.5			238.0	4.3	242.1	6.4
		II	243.9	5.7			241.0	5.1	245.5	5.6
		III	247.3	5.8			244.5	5.9		
	1984	Annual	223.5	3.8	223.4	3.8	223.2	3.7	223.5	3.8
	1985	Annual	233.0	4.3	233.6	4.6	231.7	3.8	234.1	4.7
Unemployment Rate										
Actual	**1984**	**II**	**7.5%**		**7.5%**		**7.5%**		**7.5%**	
		III	6.9		7.3		7.1		7.3	
		IV	6.6		7.0		6.8		7.0	
	1985	I	6.5		7.1		6.7		6.8	
		II	6.5		7.3		6.6		6.6	
		III	6.6		7.5		6.5		6.6	
		IV	6.7		7.6		6.4		6.7	
	1986	I	6.8				6.4		6.6	
		II	6.8				6.3		6.6	
		III	6.8				6.5			
	1984	Annual	7.2		7.4		7.3		7.4	
	1985	Annual	6.6		7.4		6.6		6.7	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

ECONOMIC FORECASTS (continued)

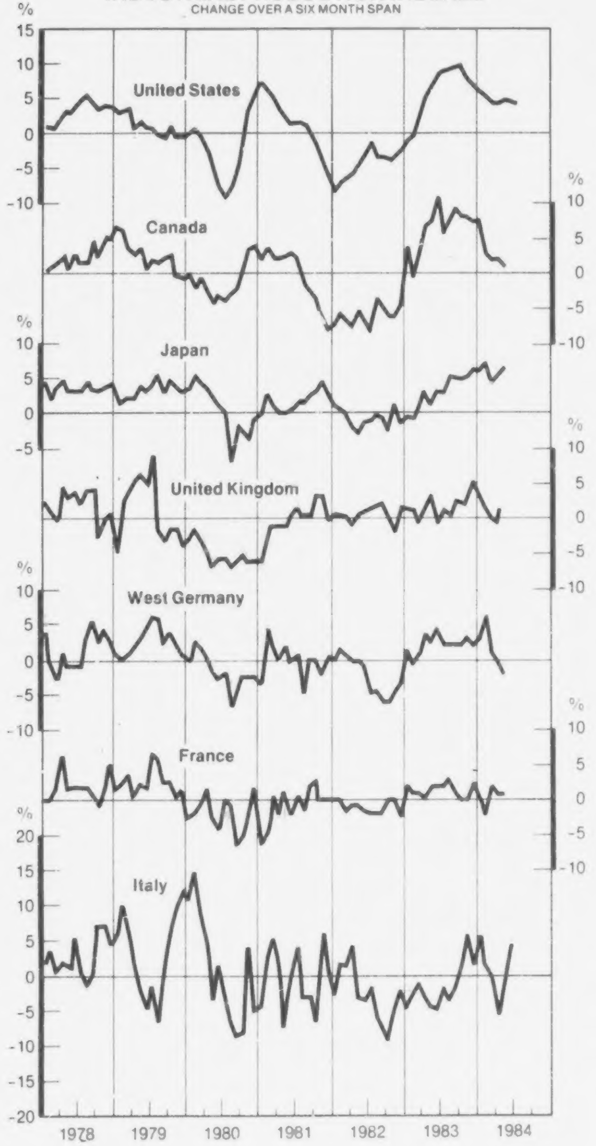
The Conference Board[1]		Chase Econometric Associates, Inc[1].		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
July, 1984		*July, 1984*		*July, 1984*		*July, 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3646.4	**10.9%**	**$3646.4**	**10.9%**	**$3646.4**	**10.9%**	**$3646.4**	**10.9%**	**II**	**1984**	**Actual**
3726.0	9.0	3730.7	9.6	3728.3	9.3	3730.0	9.5	III		
3794.0	7.5	3809.3	8.7	3796.0	7.5	3814.7	9.4	IV		
3849.0	5.9	3890.2	8.8	3865.4	7.5	3904.0	9.7	I	1985	
3884.0	3.7	3960.7	7.4	3913.0	5.0	3991.4	9.3	II		
3911.0	2.8	4012.3	5.3	3957.7	4.6	4077.8	8.9	III		
3993.0	8.7	4077.8	6.7	4014.2	5.8	4158.6	8.2	IV		
		4160.5	8.4	4081.7	6.9	4212.9	5.3	I	1986	
		4248.8	8.8	4162.1	8.1	4260.1	4.6	II		
		4356.5	10.5	4249.4	8.7	4353.1	9.0	III		
3679.9	11.4	3684.9	11.5	3681.0	11.4	3686.1	11.5	Annual	1984	
3909.3	6.2	3985.3	8.2	3937.6	7.0	4033.0	9.4	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1640.2	**7.5%**	**$1640.2**	**7.5%**	**$1640.2**	**7.5%**	**$1640.2**	**7.5%**	**II**	**1984**	**Actual**
1661.2	5.2	1662.1	5.4	1661.7	5.3	1664.7	6.1	III		
1673.3	2.9	1678.1	3.9	1675.8	3.4	1685.9	5.2	IV		
1677.9	1.1	1690.9	3.1	1687.4	2.8	1703.0	4.1	I	1985	
1672.0	-1.4	1700.2	2.2	1691.5	1.0	1718.1	3.6	II		
1667.8	-1.0	1702.1	.4	1693.2	.4	1731.7	3.2	III		
1685.2	4.2	1707.1	1.2	1696.0	.7	1740.4	2.0	IV		
		1717.6	2.5	1703.1	1.7	1737.1	- .8	I	1986	
		1732.9	3.6	1715.2	2.9	1733.1	- .9	II		
		1750.5	4.1	1729.5	3.4	1750.5	4.1	III		
1646.4	7.3	1647.8	7.4	1647.2	7.3	1650.4	7.5	Annual	1984	
1675.7	1.8	1700.1	3.2	1692.0	2.7	1723.3	4.4	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
222.3	**3.2%**	**222.3**	**3.2%**	**222.3**	**3.2%**	**222.3**	**3.2%**	**II**	**1984**	**Actual**
224.3	3.6	224.5	3.9	224.4	3.7	224.1	3.2	III		
226.7	4.4	227.0	4.6	226.5	3.9	226.3	4.0	IV		
229.4	4.8	230.1	5.5	229.1	4.6	229.2	5.4	I	1985	
232.3	5.2	233.0	5.1	231.3	4.0	232.3	5.5	II		
234.5	3.8	235.7	4.8	233.7	4.2	235.5	5.6	III		
236.9	4.2	238.9	5.4	236.7	5.1	238.9	6.0	IV		
		242.2	5.7	239.7	5.1	242.5	6.1	I	1986	
		245.2	5.0	242.7	5.1	245.8	5.5	II		
		248.9	6.2	245.7	5.1	248.7	4.8	III		
223.6	3.8	223.6	3.8	223.4	3.8	223.3	3.7	Annual	1984	
233.3	4.3	234.4	4.8	232.7	4.1	234.0	4.8	Annual	1985	
								Unemployment Rate		
7.5%		**7.5%**		**7.5%**		**7.5%**		**II**	**1984**	**Actual**
6.9		6.8		6.9		6.9		III		
6.7		6.6		6.7		6.7		IV		
6.8		6.5		6.6		6.5		I	1985	
7.2		6.7		6.7		6.3		II		
7.5		6.9		7.0		6.1		III		
7.4		7.1		7.2		6.0		IV		
		7.2		7.4		6.5		I	1986	
		7.1		7.5		6.8		II		
		7.0		7.6		7.0		III		
7.3		7.2		7.2		7.2		Annual	1984	
7.2		6.8		6.9		6.2		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

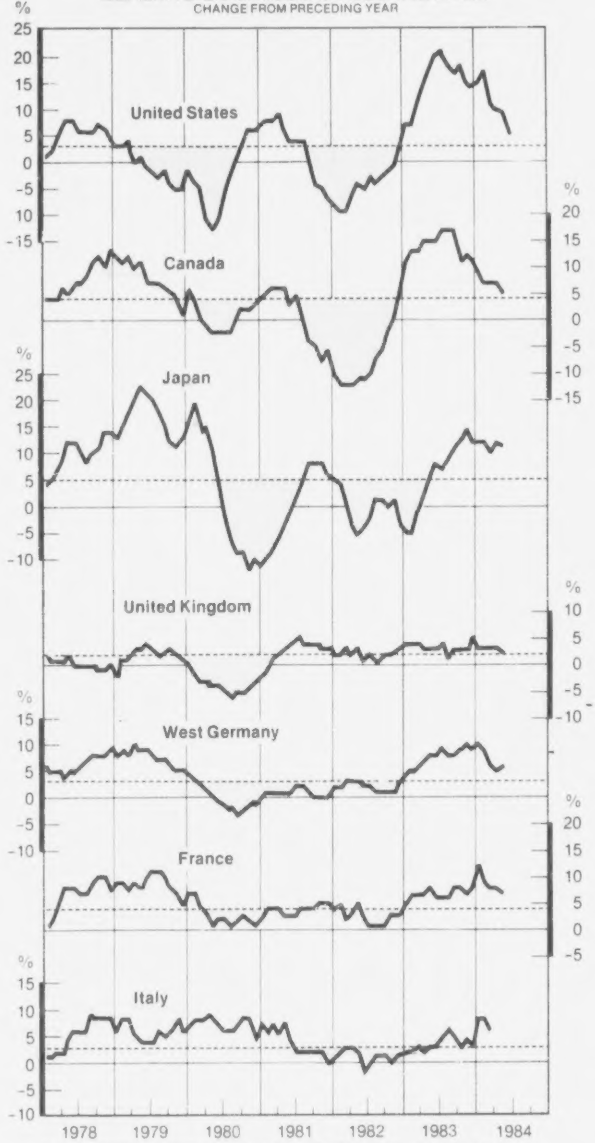
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



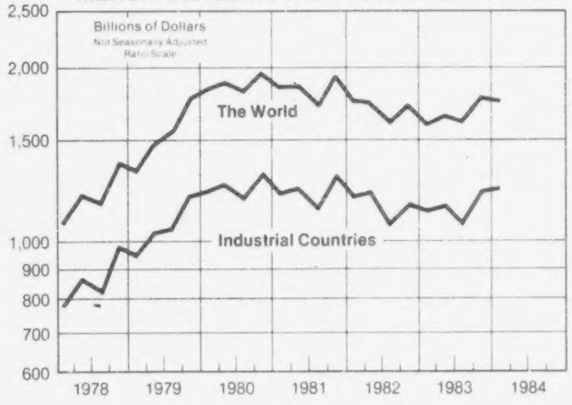
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

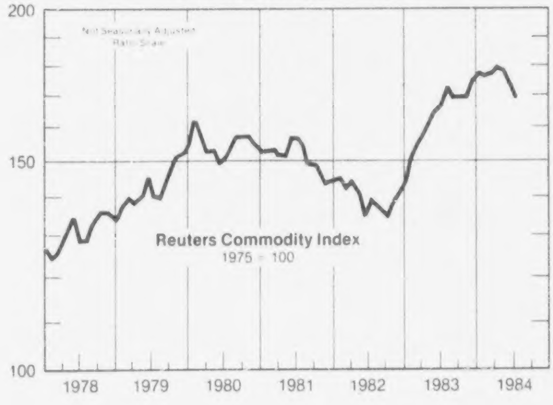


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

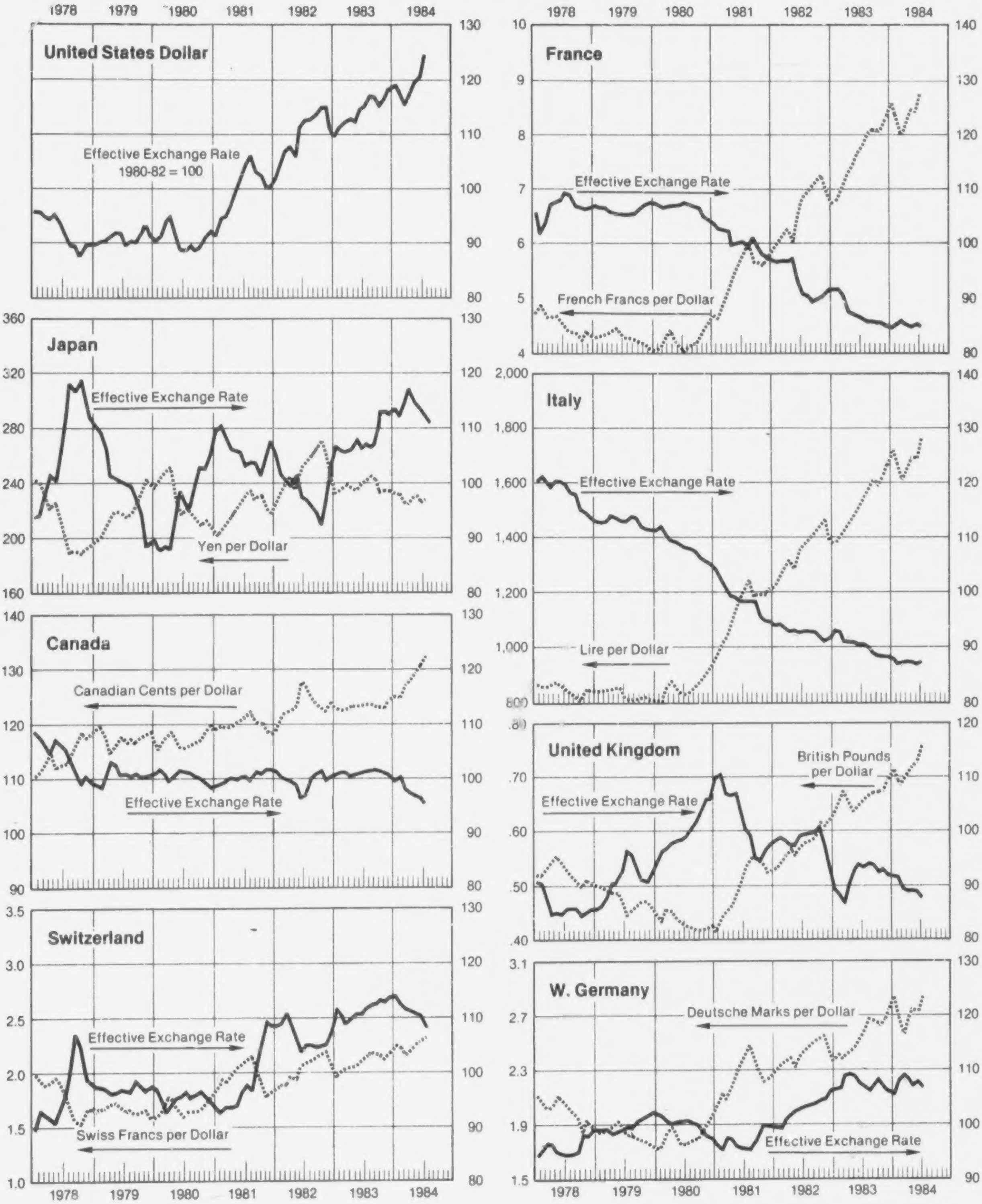


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

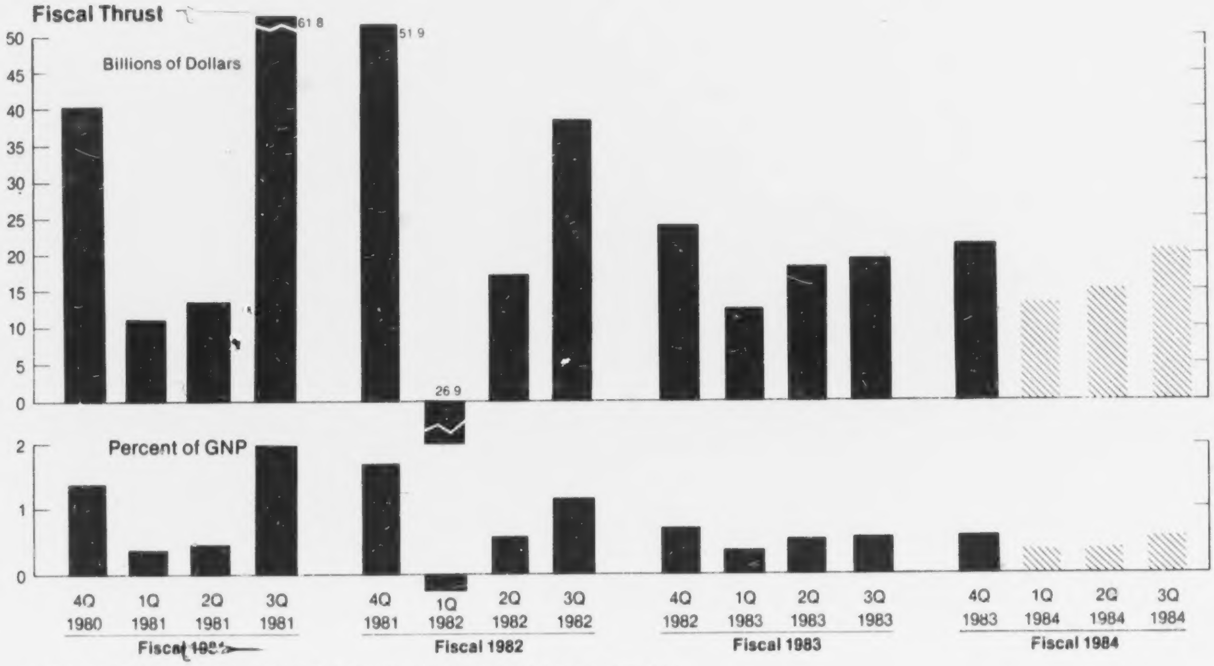
Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(8/14/84)	(8/6/84)	(2/1/84)	(8/14/84)	(8/6/84)
Receipts	**600.6**	**670.7**	**673.0**	**737.3**	**763.8**	**751.0**
Outlays	**796.0**	**845.0**	**845.0**	**944.9**	**930.6**	**929.0**
Deficit	**-195.0**	**-174.3**	**-172.0**	**-207.7**	**-166.9**	**-178.0**
Receipts by source	**600.6**	**670.7**	**673.0**	**737.3**	**763.8**	**751.0**
Individual income taxes	288.9	299.5		323.4	341.8	
Corporate income taxes	37.0	59.0		75.5	74.3	
Social insurance	209.0	241.2		269.0	271.5	
Other receipts	65.7	71.1		69.4	76.2	
Outlays by function	**796.0**	**845.0**	**845.0**	**944.9**	**930.6**	**929.0**
National defense	209.9	233.6		284.2	266.2	
Social security and medicare	223.3	237.8		261.4	258.1	
Income security	122.2	95.2		116.9	110.3	
Health	28.7	30.6		34.4	33.8	
Education and manpower	26.6	28.2		29.0	29.4	
Transportation	21.4	25.1		27.4	26.9	
Veterans' benefits	24.8	25.9		26.6	26.7	
International affairs	9.0	12.6		14.1	17.2	
Agriculture	22.2	10.2		14.3	15.1	
National resources and environment	12.7	12.2		11.8	11.6	
General science	7.7	8.2		8.4	8.7	
Community development	6.9	7.3		7.7	7.7	
Revenue sharing	6.5	6.7			6.5	
Justice	5.1	5.9		6.2	6.2	
General government	4.8	5.3		5.7	5.6	
Energy	4.0	2.4		3.4	2.8	
Commerce and housing credit	4.4	4.6		1.6	0.3	
Interest	89.8	109.4		117.9	130.2	
Allowances				1.5	1.0	
Undistributed offsetting receipts	-34.0	-16.2		-34.6	-33.8	

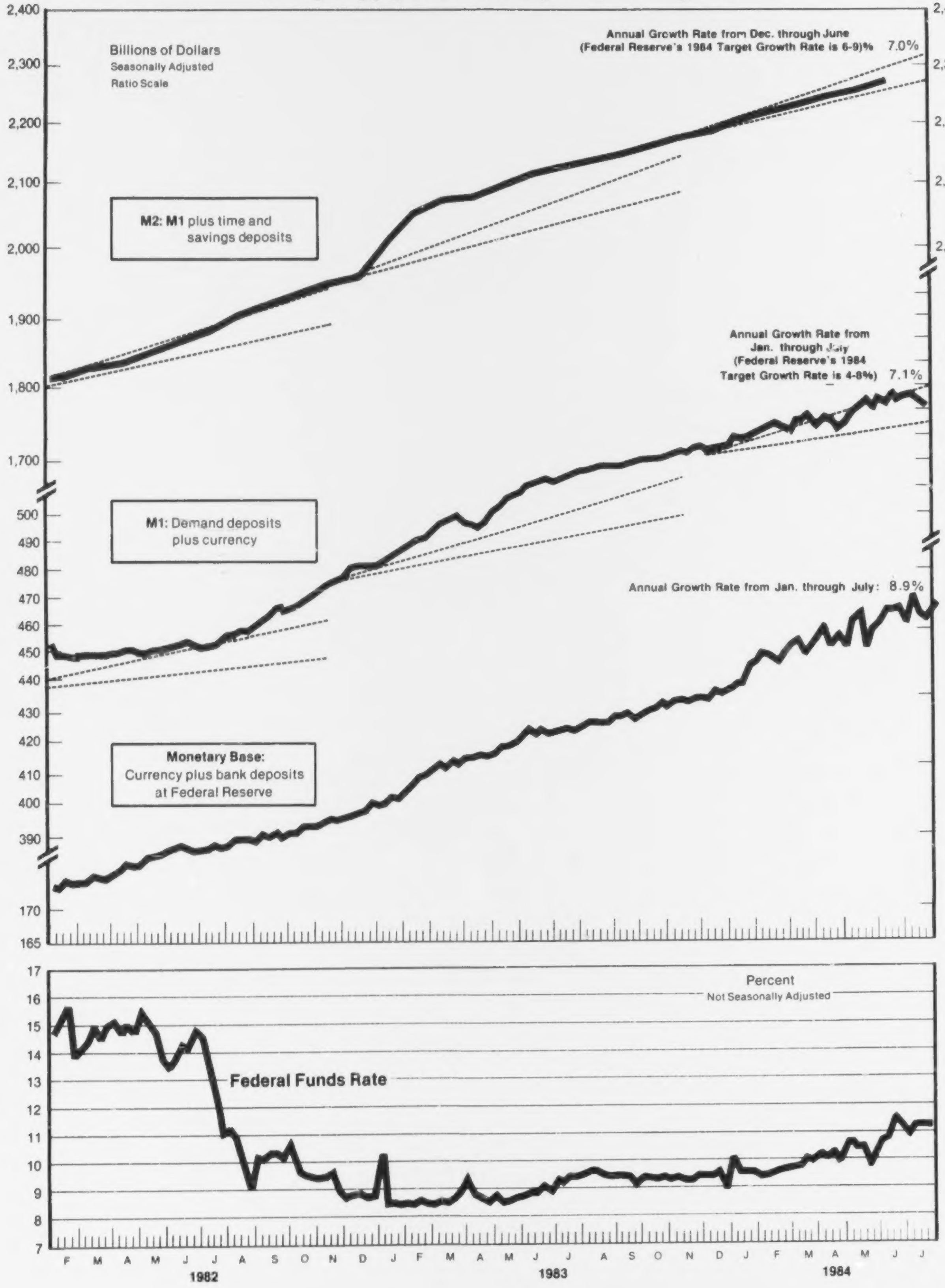
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB 81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



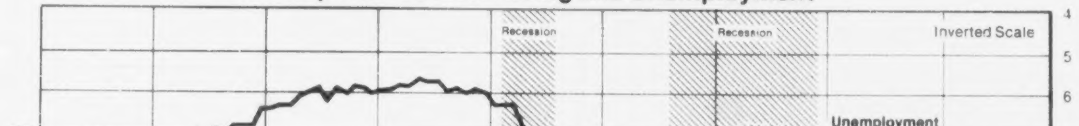
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	June	May	Apr.	June
Total Index 51 papers	134	125	124	92
New England	150	141	137	100
Boston	164	159	155	112
Hartford	149	136	129	89
Providence	103	84	81	67
Middle Atlantic	64	58	58	48
Albany	136	123	120	90
Allentown	161	121	150	113
New York	54	53	50	44
Philadelphia	56	49	52	43
Pittsburgh	57	52	51	46
Rochester	76	63	69	48
Syracuse	110	85	87	69
East North Central	81	73	72r	48
Chicago	101	92	90	47
Cincinnati	107	87	90	71
Cleveland	56	44	48	40
Columbus	105	91	98	74
Dayton	68	59	59	49
Detroit	52	52	53	35
Gary	99	89r	74	85
Indianapolis	87	78	59r	48
Milwaukee	52	43	46	35
Toledo	87	83r	84	65
West North Central	87	75r	75	60
Kansas City	119	97	93	89
Minneapolis	79	70r	71	44
Omaha	115	109	119	86
St. Louis	69	57	57	53
South Atlantic	161	146r	141	110
Atlanta	292	258	259	185
Baltimore	114	104	80	71
Charlotte	139	131	138	89
Jacksonville	197	191	186	155
Miami	81	78	80	71
Richmond	111	96r	86	68
Washington, D.C.	158	142	143	114
East South Central	130	116	120	94
Birmingham	141	126	114	104
Knoxville	181	182	183	139
Louisville	78	65	61	54
Memphis	113	104	99	83
Nashville	168	142	185	116
West South Central	302	282	271	208
Dallas	440	412	367	275
Houston	361	336	339	258
New Orleans	141	141	146	117
Oklahoma City	176	150	153	126
San Antonio	210	210	209	147
Tulsa	174	146	138	132
Mountain	308	296r	281r	188
Denver	213	193r	201r	140
Phoenix	430	416	400	256
Salt Lake City	319	326	270	187
Pacific	181	184	186	133
Los Angeles	143	144	148	104
Sacramento	215	289	297	215
San Bernardino	149	143	192	105
San Diego	385	366	357	251
San Francisco	198	200	185	138
Seattle	178	183	186	153
Percentage of papers with rising volume	82%	45%	45%	29%
Unemployment rate	7.1%	7.5%	7.8%	10.0%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977)
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

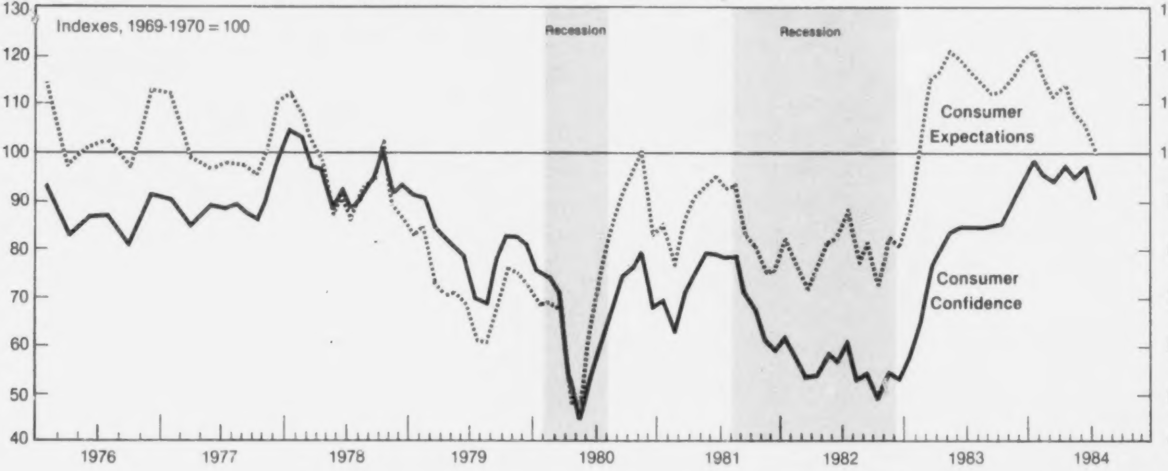
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0p					
Buying Plans Index												
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	93.1					

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

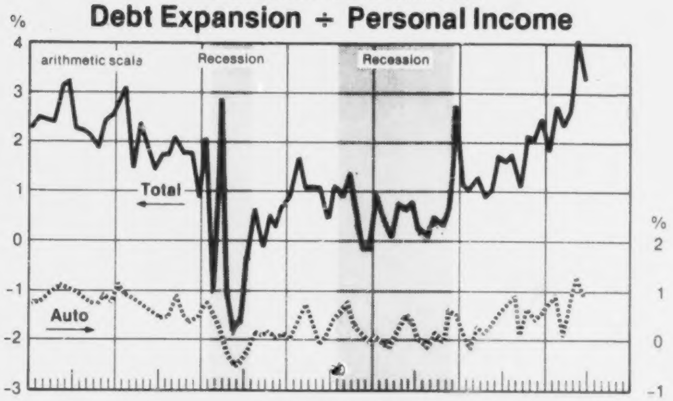
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

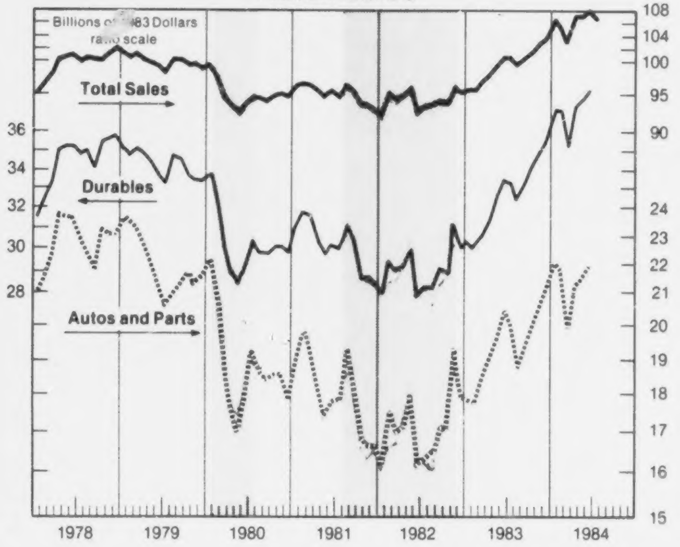
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



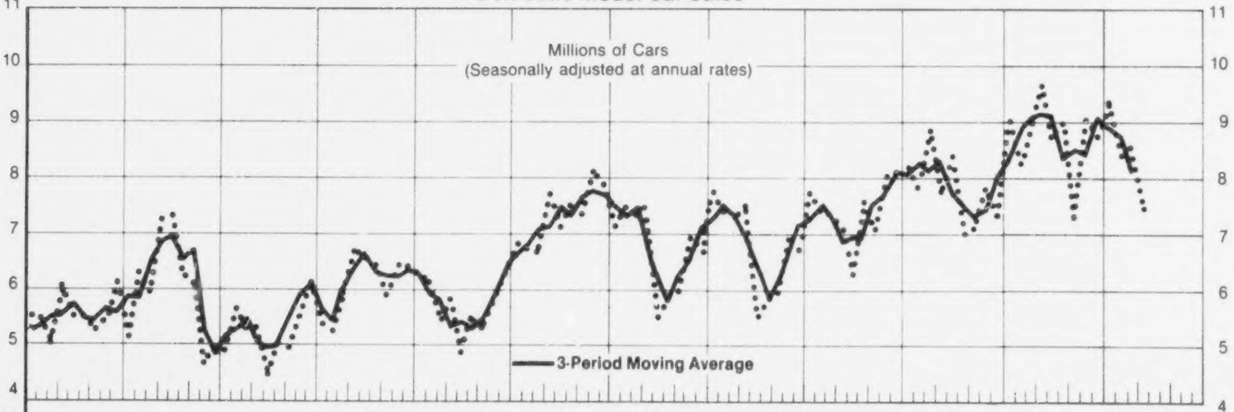
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

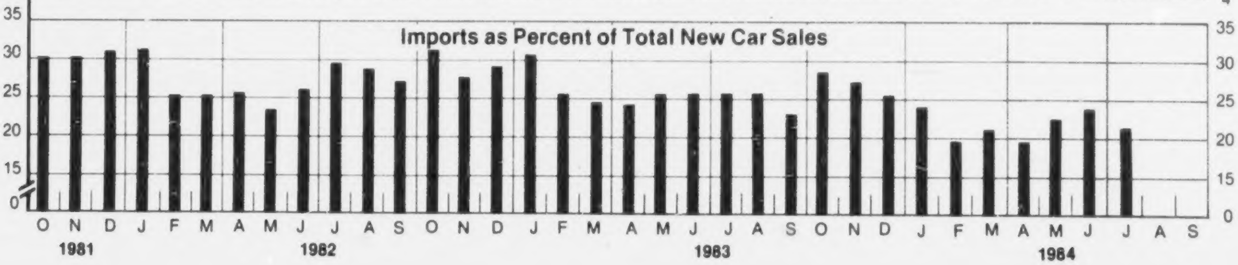
Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	8.70
	21-31	5.94	6.25	7.55	8.99
June:	1-10	6.09	6.10	7.34	7.37
	11-20	5.99	4.68	8.12	9.12
	21-30	6.06	4.94	7.88	8.74
July:	1-10	6.09	4.92	7.16	9.39
	11-20	6.47	5.61	7.42	8.39
	21-31	5.89	5.30	7.37	8.53
August:	1-10	7.31	5.35	7.51	7.45
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6 88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



Imports as Percent of Total New Car Sales



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STATISTICAL BULLETIN

Volume 17, No. 9, September, 1984

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The Conference Board

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STATISTICAL REFERENCE INDEX
ACQUISITIONS
4520 EAST WEST HIGHWAY - SUITE 800
BETHESDA, MD 20814

COMMENT

After two very good years of strong economic recovery and expansion, growth is beginning to slow in the second half of 1984. Growth expectations for next year range from modest to downright pessimistic. Aside from leaning on the precept that nothing lasts forever, analysts are basing their predictions of slower real growth on the reduced role of some factors that have been at play in the last two years.

The early stages of economic recovery are typically dominated by a surge in consumer demand. Consumer borrowing declines in recessions as households forego spending for furniture, appliances, cars and homes. Consumer balance sheets recover some fiscal health, then, even as household capital stocks become somewhat depleted. Once the economy hits bottom and begins to turn around, workers become less concerned about potential layoffs or wage freezes. Consumer attitudes brighten, reinvigorating their willingness to spend. Wage increases and a lower level of indebtedness provide the means to spend, both for current needs and to meet pent-up demand.

The Conference Board's *Consumer Confidence Index* reached a low of 49.7 (1969-1970 = 100) in October, 1982—as the recession was drawing to a close. The index quickly shot up to 84.0 by May, 1983. Total retail sales, adjusted for inflation, increased at about a 6½% annual rate over this period. New, domestic *Automobile Sales* rose from an annual rate of about 5½ million cars in November, 1982, to about 7 million by May, 1983. This surge in demand was financed by gains in income and by buying on credit. Personal income, adjusted for inflation, rose by just under 4%, at an annual rate, in this period. The ratio of *Consumer Installment Debt Expansion to Personal Income* rose from zero (consumers were taking on as much new debt as they were paying off) to about 1% in this period. By the second quarter of 1983, real GNP was rising at a 9½% annual rate, on the strength of this surge in consumer spending.

Consumer attitudes became even more buoyant in the second half of 1983, and gains in real spending power were stronger. The *Consumer Confidence Index* rose from 84 in May, 1983, to 98.4 in January, 1984. Personal income, adjusted for inflation, rose by just under 7%, at an annual rate, in this eight-month period. Even those fatter pay-checks were insufficient to support consumer appetites for goods. Real retail sales rose by about an 11½% annual rate, as buying on credit continued to be the order of the day. The ratio of *Consumer Installment Debt Expansion to Personal Income* rose from a 1% level in May, 1983, to about 2% in January, 1984.

The *Consumer Confidence Index* reached a peak of 98.4 in January, 1984—higher than it had stood at any time since the economic growth rate began to falter in late 1978. The index then fell to 90.8 by August, but this is still a relatively high reading. It suggests that consumers view current conditions favorably. It does, however, reflect a view that conditions may not improve very much over the next six months. A year earlier, consumers' expectations were much higher.

Household real spending power rose at a brisk 6½% annual rate in the first half of 1984. Real retail sales, however, increased by only a 2½% annual rate in the first seven months of 1984. New, domestic *Automobile Sales* climbed to an annual rate of about 9 million cars this past Spring—a higher rate than any time since the Summer of 1979. By August, however, sales had dropped back to about a 7-million car rate. These numbers are seasonally adjusted to take into account any end-of-model-year decline in demand. Nor does the decline reflect a shift to foreign cars. The import share of the market remained in a range of 20% to 25% all through this year and last. Rather, the slower pace of demand may reflect a resistance to paying high finance charges. The ratio of *Consumer Installment Debt Expansion to Personal Income* rose to 4% in May—higher than even in late 1978, when many analysts thought that the consumer sector was becoming a bit over-extended. The pace of consumer borrowing slowed in June and July. Households have become a little more concerned about indebtedness and its high cost. Their confidence in the economy's performance remains high but is no longer rising. Two years after the economic expansion began, consumer spending seems to be moving more in line with current needs. Pent-up demand has been largely released, and the outlook now is more moderate than a year earlier.

The boom in business investment began to take off just as the surge in consumer demand began to ebb. In fact, strong business investment in plant, equipment and in inventory was responsible for the strong gain in real GNP in the first half of 1984. The Conference Board's survey of *Capital Appropriations and Expenditures* shows that the nation's 1,000 largest manufacturers continued to step up their modernization and expansion programs in the second quarter. The industry executives said they expect to to see their capital spending rise by a sizable 25% in 1984. They believe that that is attainable, despite high interest rates, because as much as 80% to 90% of it may be internally financed—out of retained earnings and depreciation

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STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

The Conference Board of Canada
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Ottawa, Ontario, K1L-6R3, Canada

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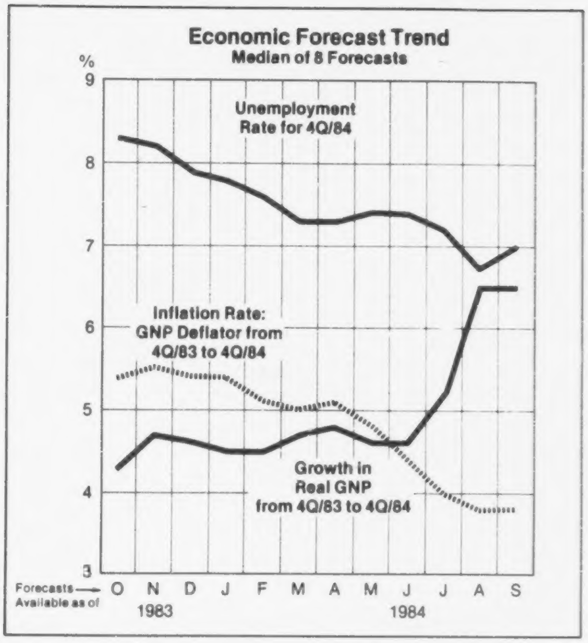


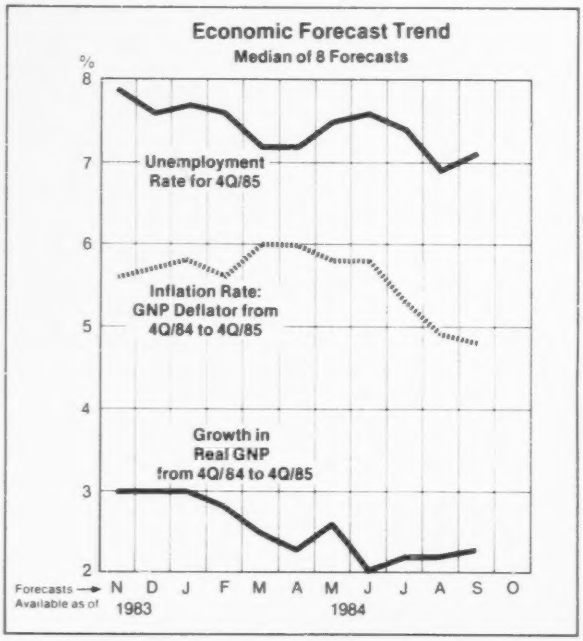
allowances. As indicated on the *Key Determinants of Profit Margins* chart, margins in the nonfinancial corporate sector continued to rebound in the second quarter, and are now higher than they have been since the fourth quarter of 1978. The Conference Board's *Business Executive's Expectations* survey, however, showed the same softening in attitudes about the near-term economic performance as did The Board's Consumer Sentiment survey. When asked about revisions in capital investment programs, in the executive sentiment survey, more respondents said that they were revising down than up. This suggests that while capital investment remains quite strong at the moment, any change in plans is likely to occur on the downside.

One big factor in the strong economic showing over the last two years is the enormous amount of stimulus the Federal Government's budget deficit has imparted to business activity. As indicated on the *Perspective on the Federal Budget* table, the budget deficit for fiscal 1985 (which begins on Oct. 1, 1984) is expected to be about $170 billion, about the same as in fiscal 1984, and a little lower than the figure for fiscal 1983. The balance-of-trade deficit, meanwhile, has grown to be as large as the budget deficit. The destimulating impact of the former is now almost as significant as the stimulative impact of the latter.

The data on the *Money Supply and Monetary Targets* chart show that money-supply growth has been slightly slower this year than last. The Federal Reserve has already announced a narrower target range for the aggregates for 1985 (trimming the top end of the range). The chart also shows that interest rates are being allowed to move up. The Federal Funds rate—the rate at which banks borrow from other banks—was in a range of 9% to 10% in the second half of 1983 and the first half of 1984. This Summer, it was allowed to rise to 11½ percent. The higher interest rates are one reason for the further climb in the value of the dollar. The trade-weighted average *Exchange Rate* of the dollar against other major currencies was about 110 (1980-1982 = 100) at the beginning of 1983—or about 10% higher than its base-period value. It had risen steadily to almost 25% above the base-period value by August, 1984.

Slower money growth, high interest rates, a high trade deficit, and an overvalued dollar all act to depress the pace of activity. Consumer spending is now more closely attuned to current needs and is no longer rising sharply due to the release of pent-up demand. Inventory reaccumulation, which was very substantial in the first half of 1984, has run its course. Business capital investment remains very powerful, but may begin to wilt under the pressures listed above. For all these reasons, the economy's growth rate is now slowing a bit and is expected to continue to moderate through the forecast horizon. The median of the *Economic Forecasts* indicates that real output grew at a seasonally adjusted 5.2% annual rate in the third quarter, and will slow to 3.4% in the fourth quarter. It is expected to decline to a very sluggish 1.3% by the third quarter of 1985, but then improve to about 3½% by the third quarter of 1986 (forecast horizon). Three of the forecasters, including The Conference Board's own model, show at least one quarter of actual decline in real GNP will be experienced in this time frame.

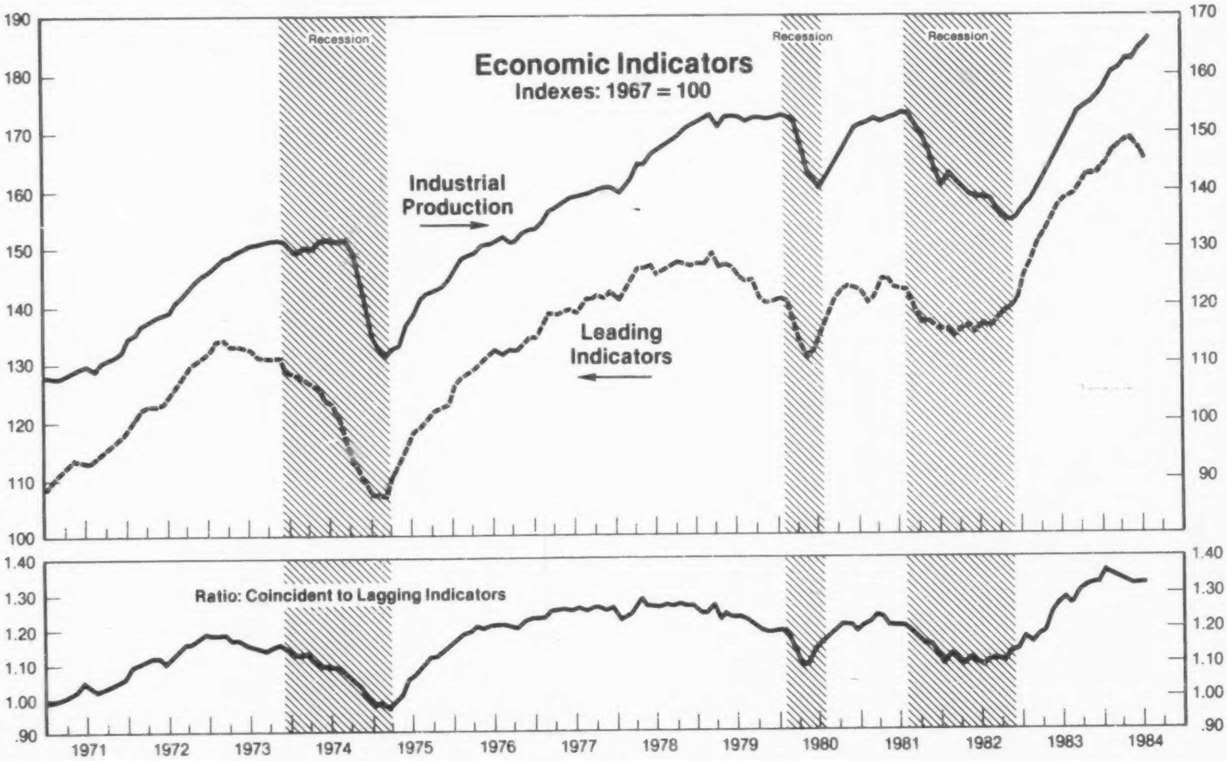
Ken Goldstein
September 12, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	July			X	— 1.8%	+ 4.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	July		X		+ 2.9%	+ 17.0%
New orders, nondefense capital goods (deflated)	July			X	— 1.3%	+ 13.9%
*New business formation	July			X	— 2.3%	+ 0.5%
*Housing permits	July			X	—11.0%	— 10.7%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	July		X		+ 2.4%	+ 10.5%
*Change in inventory, on hand & order (deflated)	June			X	— 5.5%	+ 24.3%
Purchasing agents' buying policy	Aug			X	— 6 %	+ 2 %
*Vendor performance, reported slower deliveries	July			X	—11 %	+ 8 %
Industrial raw materials prices	Aug.			X	— 5.1%	+ 3.5%
*Change in sensitive material prices	July			X	— 1.0%	— 1.5%
Sensitive Financial Flows						
*Money balance (M2 deflated)	July	X			+ 1.1%	+ 3.0%
Change in business loans	July			X	—40.6%	+ 52.3%
*Change in credit outstanding	June		X		+ 1.0%	+ 16.2%
Change in consumer installment debt	June	X			+23.5%	+ 47.6%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q		X		+ 1.0%	+ 21.7%
*Common stock prices	Aug.	X			+ 4.8%	+ 1.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Aug.			X	— 0.2hr	+ 0.1hr
*Initial unemployment claims (inverted)	Aug.		X		— 2.0%	+ 13.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



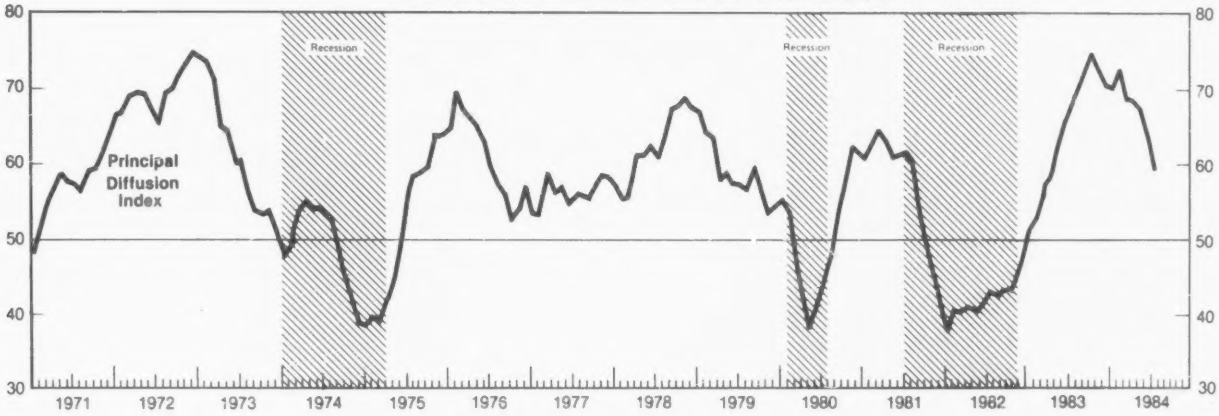
CONFERENCE BOARD DIFFUSION INDEXES

	1983	1984			
DIFFUSION INDEXES	July	Apr.	May.	June	July(e)
Principal Diffusion Index	67.5	68.3r	67.3r	63.8r	59.6
Auxillary Diffusion Index	56.1	49.7r	46.9r	38.6r	36.3
Industrial Group	72.4	69.3	68.7r	67.3r	62.4
Nonindustrial Group	62.6	67.3r	66.0r	60.4r	56.8
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	73.9	56.0	56.2r	56.4r	51.9
Labor	73.1	75.3	75.4	73.8r	65.0
Miscellaneous	68.6	74.4	70.5	67.3	71.8
Nonindustrial Subgroups					
Prices	70.5	69.2	66.7	56.4	46.8
Consumer	72.2	73.1	76.9	75.6	79.9
Building	51.9	66.0	63.5	61.5r	51.9
Miscellaneous	54.9	61.1r	56.4r	47.0r	43.6

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982				*1983*				*1984*		
	Feb.	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)										
Measure of Business Confidence	47	52	55	60	70	76	75	74	70	65	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	23	30	38	44	65	76	82	80	76	75	70
2. Expectations for Economy, Six Months Ahead	59	64	65	70	76	78	74	73	67	60	57
Expectations for Own Industry, Six Months Ahead	58	61	61	65	70	72	69	70	67	61	57

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1982	1983				1984		Percent Change From Previous Year		
	IV	Ir	IIr	IIIr	IVr	Ir	IIp	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	21.488	20.072	20.874	22.875	24.262	26.816	37.092	−18	1	20
Capital expenditures	22.887	19.108	18.664	18.244	19.560	19.905	21.882	−3	−23	25
Change in appropriations backlog*	−3.395	−1.160	+0.982	+1.988	+0.928	+5.152	+13.764			
Durable Goods										
New appropriations	8.238	8.130	9.293	9.119	11.024	13.662	21.153	−24	17	10
Capital expenditures	8.949	7.942	7.717	7.667	8.727	8.714	9.895	−7	−19	31
Change in appropriations backlog*	−1.351	−0.676	+0.887	+1.466	+0.819	+4.057	+10.919			
Nondurable Goods										
New appropriations	13.250	11.942	11.581	13.666	13.238	13.154	15.939	−14	−9	27
Capital expenditures	13.938	11.166	10.947	10.577	10.833	11.191	11.987	0	−26	21
Change in appropriations backlog*	−2.044	−0.484	+0.095	+0.522	+0.109	+1.095	+2.845			
ELECTRIC & GAS UTILITIES										
New appropriations	9.939	7.664	6.713	5.771	7.200	5.338p				
Capital expenditures	9.384	9.041	9.292	9.043	8.366	8.703p				
Change in appropriations backlog*	−4.709	−4.812	−7.024	−3.925	−3.758	−4.832p				

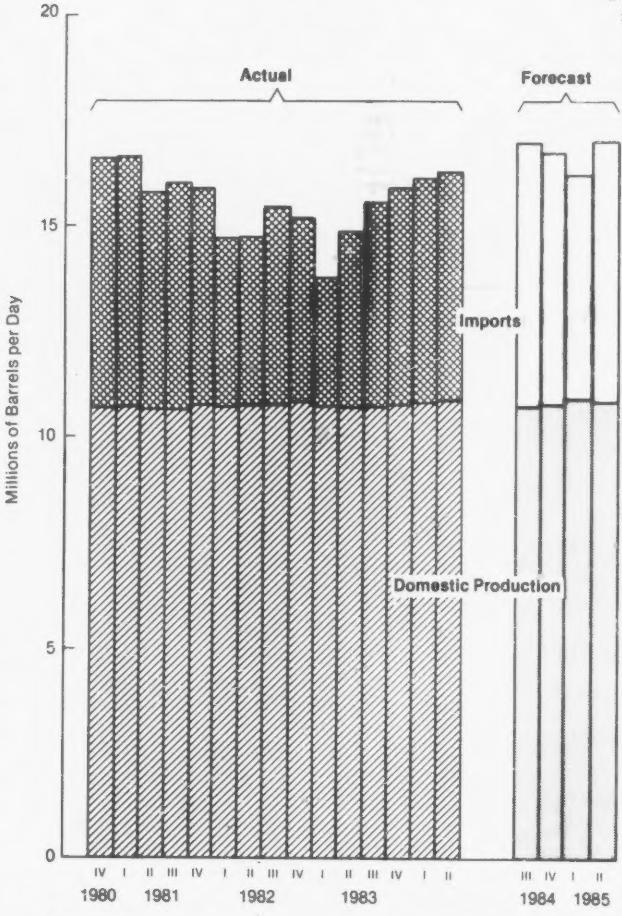
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

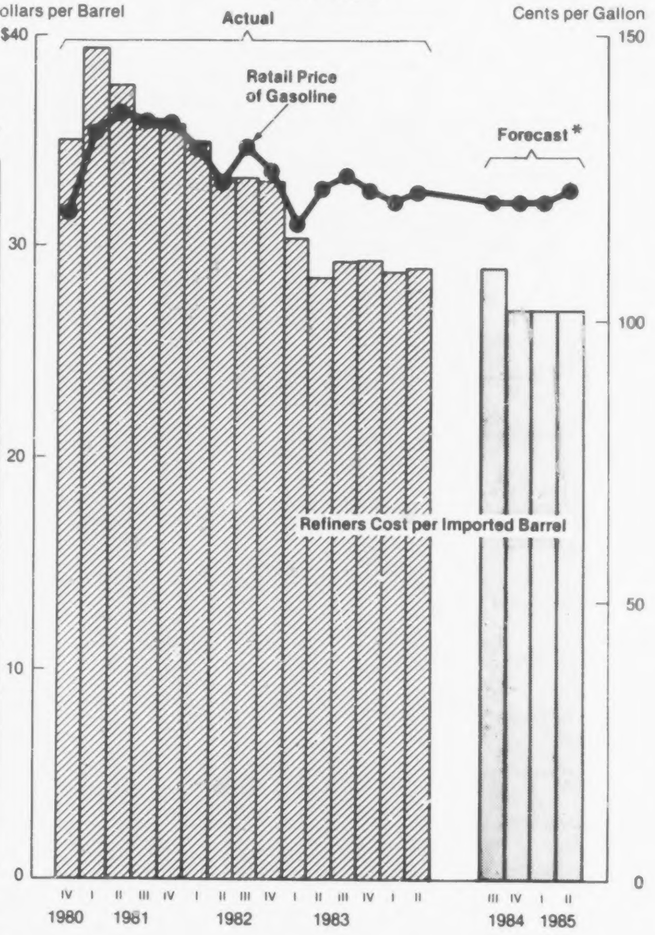
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



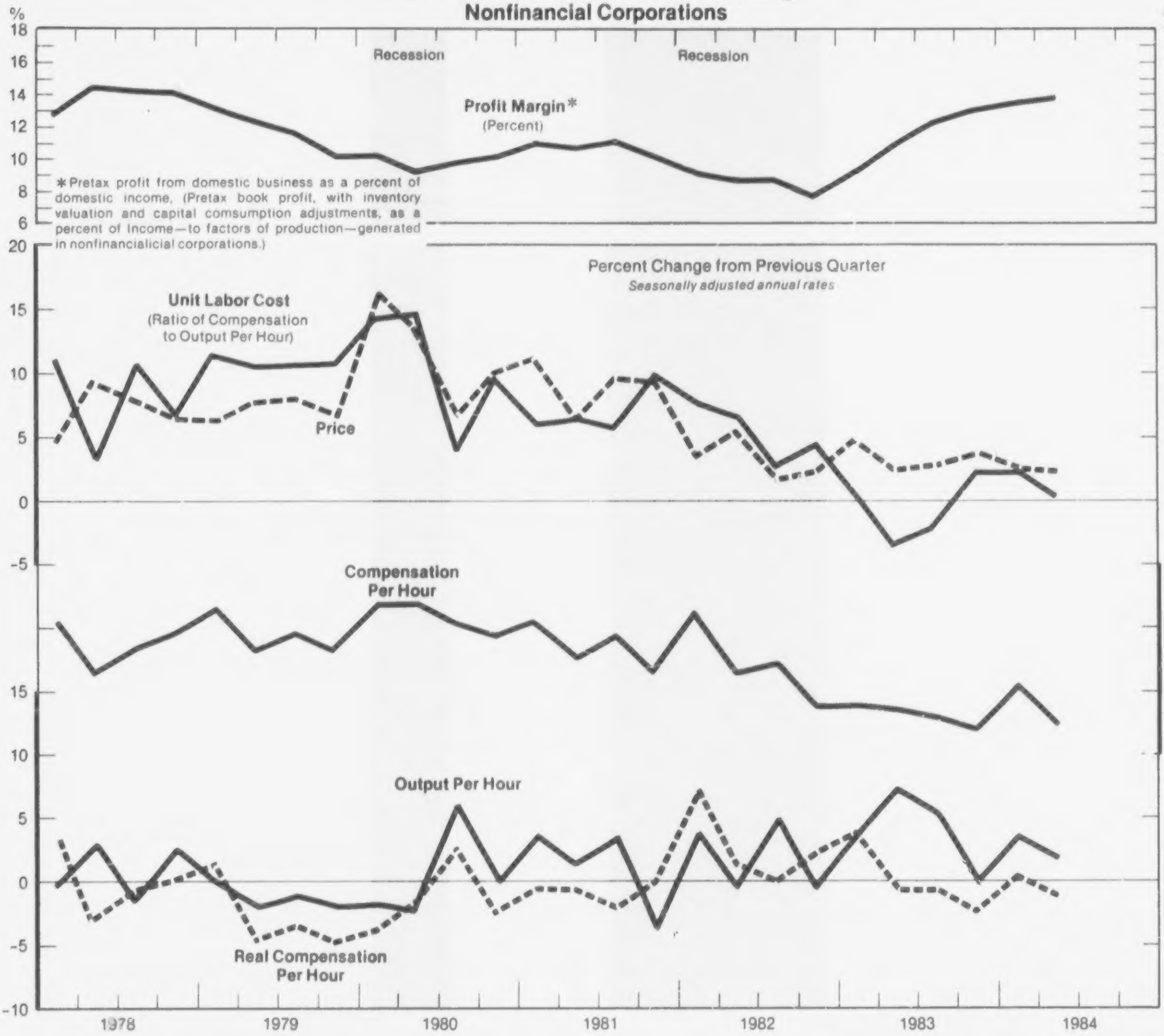
Oil Price



*Source: of Forecast is The Energy Information Administration; Department of Energy.

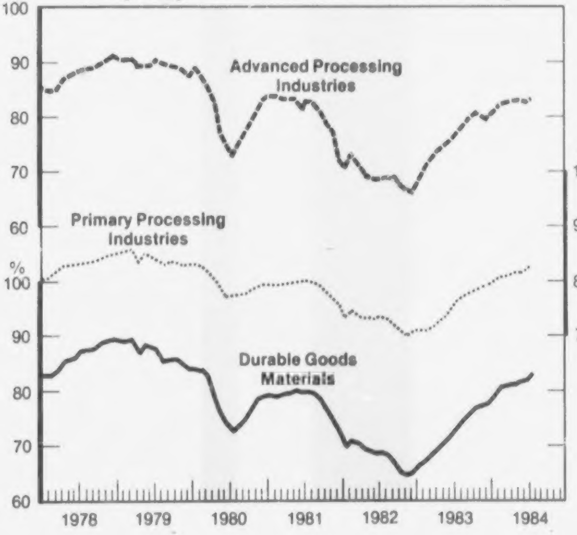
Key Determinants of Profit Margin

Nonfinancial Corporations

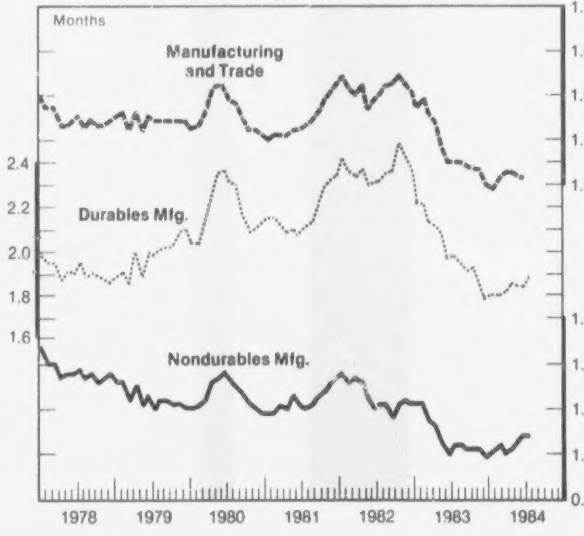


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		**Merrill Lynch Economics Inc.**[1]		**E.I. duPont de Nemours & Co.**[2]		**Georgia State University**[2]	
Date of Forecast			*Aug. 1984*		*July, 1984*		*Aug. 1984*		*Aug. 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**II**	**$3648.1**	**11.1%**			**$3648.1**	**11.1%**	**$3648.1**	**11.1%**
		III	3723.6	8.5	$3723.5	8.7%	3716.2	7.7	3725.7	8.8
		IV	3798.2	8.3	3792.7	7.6	3774.2	6.4	3798.9	8.1
	1985	I	3879.5	8.8	3857.5	7.0	3830.4	6.1	3889.3	9.9
		II	3942.9	6.7	3943.1	9.2	3920.8	9.8	3965.7	8.1
		III	4009.2	6.9	3987.5	4.6	4016.9	10.2	4046.5	8.4
		IV	4088.2	8.1	4047.2	6.1	4118.9	10.6	4131.3	8.6
	1986	I	4169.8	8.2			4195.9	7.7	4196.1	6.4
		II	4256.7	8.6			4289.8	9.3	4281.0	8.3
		III	4347.6	8.8			4366.8	7.4		
	1984	Annual	3680.8	11.4	3679.0	11.3	3672.5	11.1	3681.5	11.4
	1985	Annual	3980.0	8.1	3958.8	7.6	3971.8	8.1	4008.2	8.9
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**II**	**$1640.8**	**7.6%**			**$1640.8**	**7.6%**	**$1640.8**	**7.6%**
		III	1662.3	5.3	$1661.0	5.2%	1659.0	4.5	1660.3	4.8
		IV	1680.7	4.5	1674.6	3.3	1670.0	2.7	1670.6	2.5
	1985	I	1698.1	4.2	1683.4	2.1	1680.0	2.4	1686.6	3.9
		II	1708.3	2.4	1699.1	3.8	1701.0	5.1	1699.1	3.0
		III	1719.3	2.6	1696.3	-0.7	1724.0	5.5	1711.7	3.0
		IV	1732.5	3.1	1700.7	1.0	1749.0	5.9	1722.8	2.6
	1986	I	1746.0	3.2			1763.0	3.2	1732.9	2.4
		II	1760.5	3.4			1780.0	3.9	1743.9	2.6
		III	1777.0	3.8			1786.0	1.4		
	1984	Annual	1648.7	7.4	1646.7	7.3	1645.0	7.2	1645.7	7.2
	1985	Annual	1714.6	4.0	1694.9	2.9	1713.5	4.2	1705.1	3.6
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**II**	**222.3**	**3.2%**			**222.3**	**3.2%**	**222.3**	**3.2%**
		III	224.0	3.0	224.2	3.4%	224.0	3.0	224.4	3.8
		IV	226.0	3.6	226.5	4.2	226.0	3.6	227.4	5.5
	1985	I	228.5	4.4	229.1	4.8	228.0	3.6	230.6	5.8
		II	230.8	4.2	232.1	5.2	230.5	4.5	233.4	4.9
		III	233.2	4.2	235.1	5.3	233.0	4.4	236.4	5.2
		IV	236.0	4.9	238.0	5.0	235.5	4.4	239.8	5.9
	1986	I	238.8	4.9			238.0	4.3	242.1	4.0
		II	241.8	5.1			241.0	5.1	245.5	5.6
		III	244.7	4.8			244.5	5.9		
	1984	Annual	223.2	3.7	223.4	3.8	223.2	3.7	223.7	3.9
	1985	Annual	232.1	4.0	233.6	4.6	231.7	3.8	235.1	5.1
Unemployment Rate										
Actual	**1984**	**II**	**7.5%**		**7.5%**		**7.5%**		**7.5%**	
		III	7.3		7.3		7.4		7.3	
		IV	7.0		7.0		7.2		7.1	
	1985	I	6.9		7.1		6.9		7.0	
		II	6.9		7.3		6.8		7.0	
		III	6.9		7.5		6.5		6.9	
		IV	6.9		7.6		6.4		6.8	
	1986	I	7.0				6.4		6.7	
		II	7.0				6.3		6.7	
		III	7 0				6.5			
	1984	Annual	7.4		7.4		7.5		7.4	
	1985	Annual	6.9		7.4		6.7		6.9	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

[2] Based on second quarter data.

ECONOMIC FORECASTS (continued)

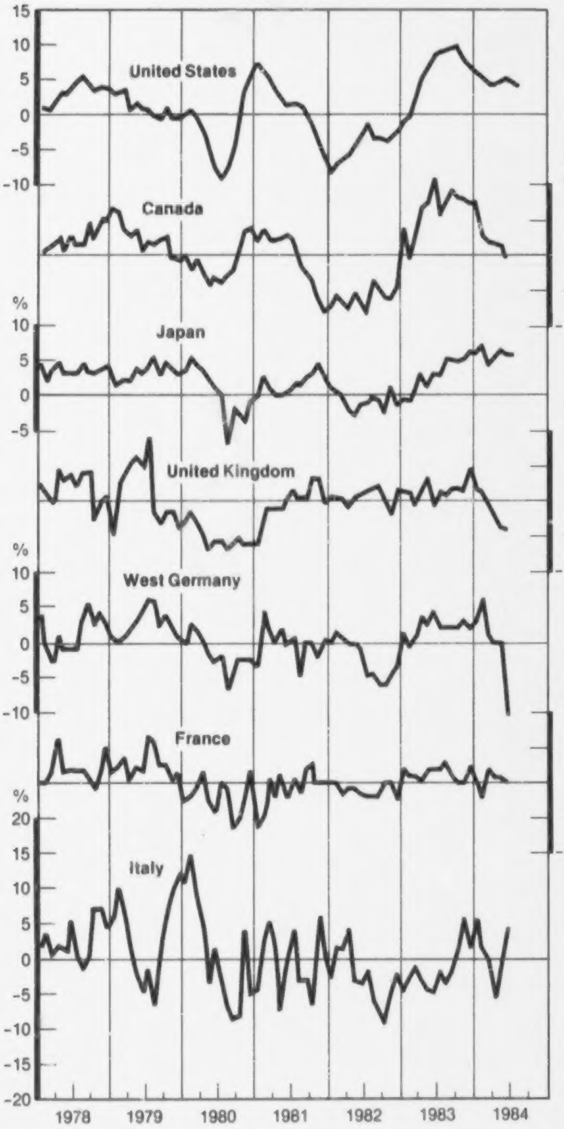
The Conference Board[1]		Chase Econometric Associates, Inc[2].		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]		
July, 1984		*Aug. 1984*		*Aug. 1984*		*Aug. 1984*		*Date of Forecast*
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	
								Gross National Product Billions of Current Dollars
		$3648.1	**11.1%**	**$3648.1**	**11.1%**	**$3648.1**	**11.1%**	**II 1984 Actual**
3726.0	9.0	3726.7	8.9	3725.2	8.7	3726.1	8.8	III
3794.0	7.5	3805.5	8.7	3788.5	7.0	3806.1	8.9	IV
3849.0	5.9	3887.0	8.8	3854.0	7.1	3887.9	8.9	I 1985
3884.0	3.7	3962.9	8.0	3900.4	4.9	3967.8	8.5	II
3911.0	2.8	4018.6	5.7	3946.2	4.8	4043.1	7.8	III
3993.0	8.7	4090.4	7.3	4002.5	5.8	4121.7	8.0	IV
		4175.6	8.6	4064.9	6.4	4175.5	5.3	I 1986
		4270.1	9.4	4139.1	7.5	4221.9	4.5	II
		4375.4	10.2	4221.2	8.2	4312.3	8.8	III
3679.9	11.4	3683.4	11.5	3678.8	11.3	3683.4	11.5	Annual 1984
3909.3	6.2	3989.7	8.3	3925.8	6.7	4005.1	8.7	Annual 1985
								Gross National Product Billions of Constant (1972) Dollars
		$1640.8	**7.6%**	**$1640.8**	**7.6%**	**$1640.8**	**7.6%**	**II 1984 Actual**
1661.2	5.2	1661.9	5.2	1662.1	5.3	1663.0	5.5	III
1673.3	2.9	1678.3	4.0	1675.5	3.3	1682.0	4.6	IV
1677.9	1.1	1691.9	3.3	1686.8	2.7	1695.5	3.2	I 1985
1672.0	-1.4	1701.5	2.3	1690.5	.9	1708.0	3.0	II
1667.8	-1.0	1704.0	.6	1693.8	.8	1717.1	2.1	III
1685.2	4.2	1710.9	1.6	1698.1	1.0	1726.2	2.1	IV
		1724.3	3.2	1705.1	1.7	1722.2	- .9	I 1986
		1742.4	4.3	1716.5	2.7	1717.7	-1.0	II
		1759.2	3.9	1731.2	3.5	1733.7	3.8	III
1646.4	7.3	1648.0	7.4	1647.3	7.3	1649.2	7.5	Annual 1984
1675.7	1.8	1702.1	3.3	1692.3	2.7	1711.7	3.8	Annual 1985
								Gross National Product deflator Index, 1972 = 100
		222.3	**3.2%**	**222.3**	**3.2%**	**222.3**	**3.2%**	**II 1984 Actual**
224.3	3.6%	224.2	3.5	224.1	3.3	224.1	3.1	III
226.7	4.4	226.7	4.5	226.1	3.6	226.3	4.0	IV
229.4	4.8	229.7	5.4	228.5	4.3	229.3	5.5	I 1985
232.3	5.2	232.9	5.6	230.7	4.0	232.3	5.3	II
234.5	3.9	235.8	5.1	233.0	4.0	235.5	5.5	III
236.9	4.2	239.1	5.6	235.7	4.8	238.8	5.7	IV
		242.2	5.3	238.4	4.6	242.5	6.3	I 1986
		245.1	4.9	241.1	4.7	245.8	5.6	II
		248.7	6.1	243.8	4.5	248.7	4.9	III
223.5	3.8	223.5	3.8	223.3	3.7	223.3	3.7	Annual 1984
233.3	4.4	234.4	4.9	232.0	3.9	234.0	4.8	Annual 1985
								Unemployment Rate
7.5%		**7.5%**		**7.5%**		**7.5%**		**II 1984 Actual**
6.9		7.3		7.4		7.2		III
6.7		7.0		7.1		6.9		IV
6.8		6.9		7.0		6.6		I 1985
7.2		6.9		7.2		6.4		II
7.5		7.1		7.4		6.3		III
7.4		7.3		7.6		6.2		IV
		7.3		7.8		6.7		I 1986
		7.1		7.9		7.0		II
		7.0		7.9		7.2		III
7.2		7.4		7.4		7.3		Annual 1984
7.2		7.1		7.3		6.4		Annual 1985

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

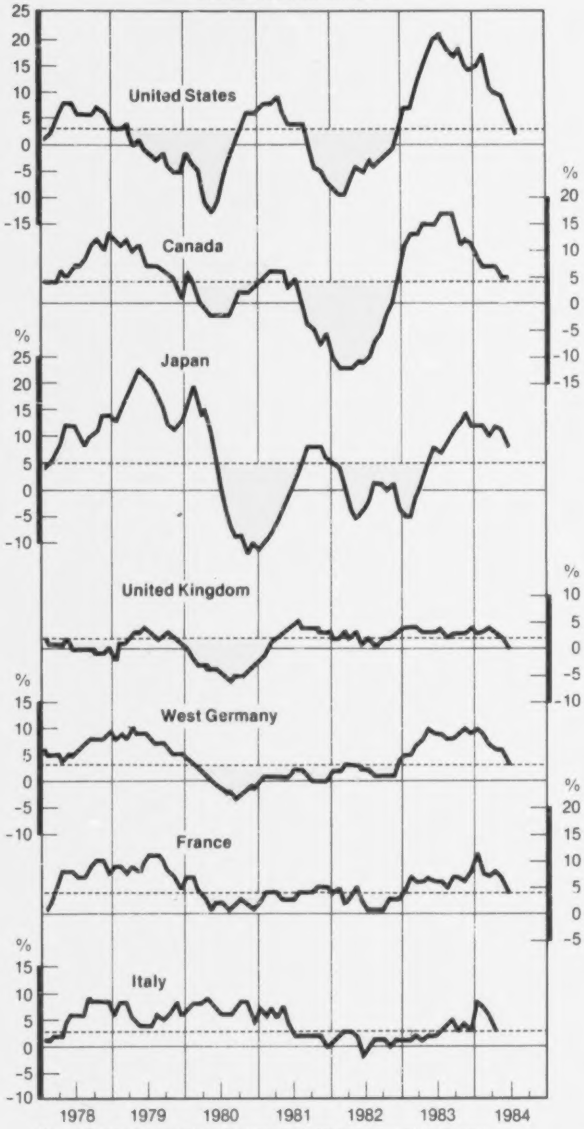
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



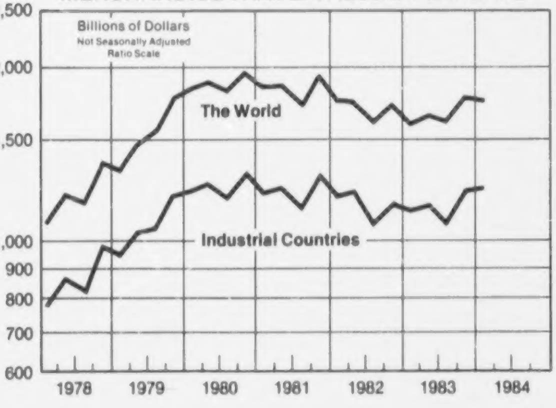
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

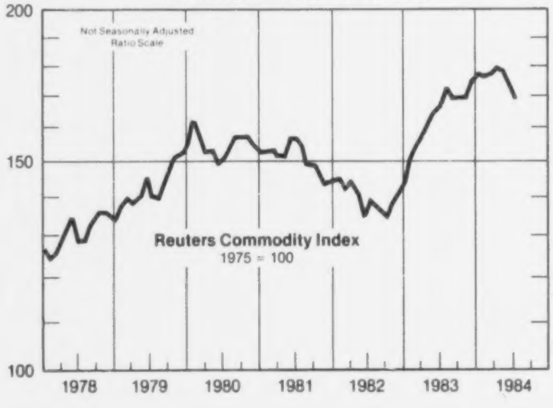


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

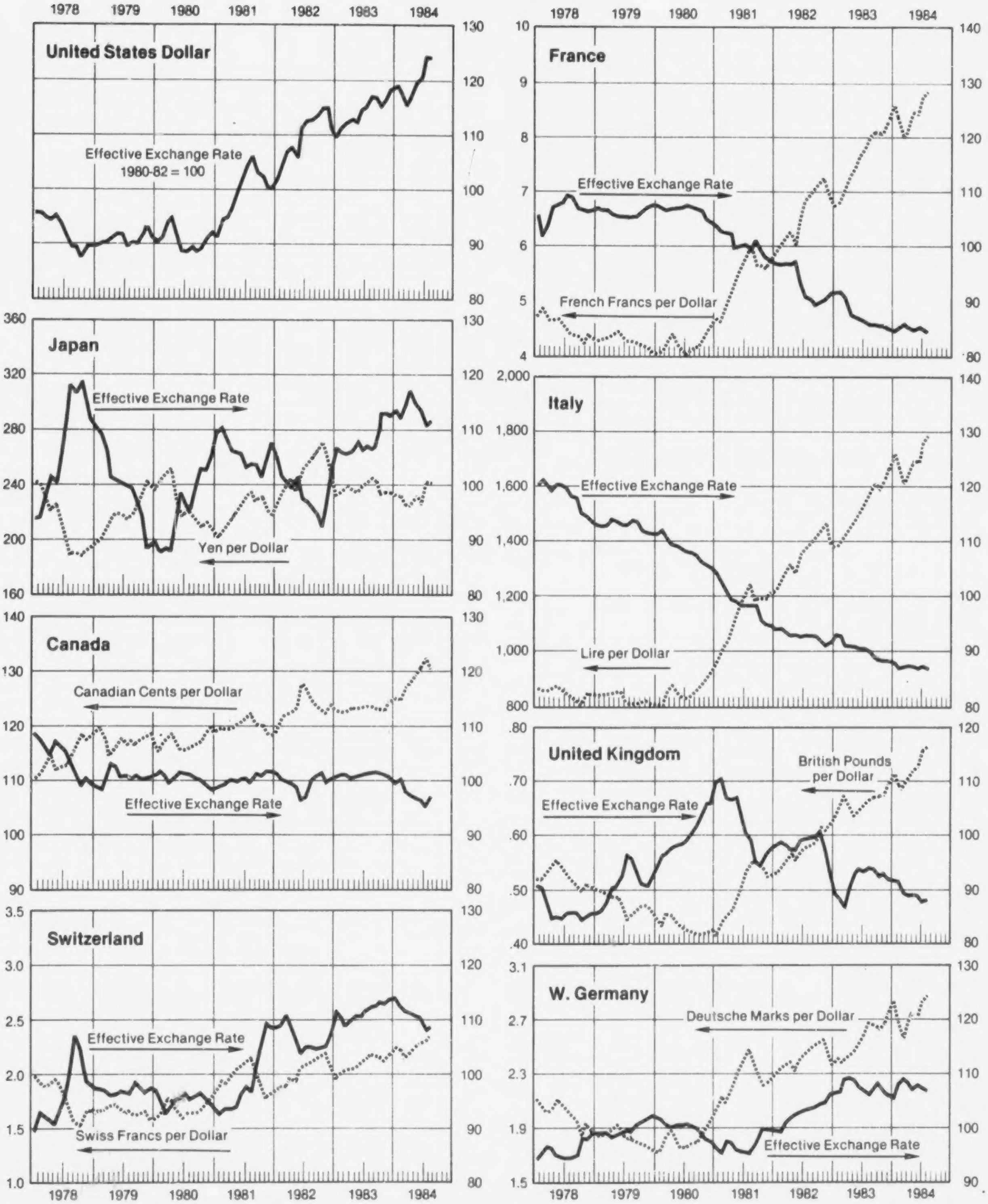


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



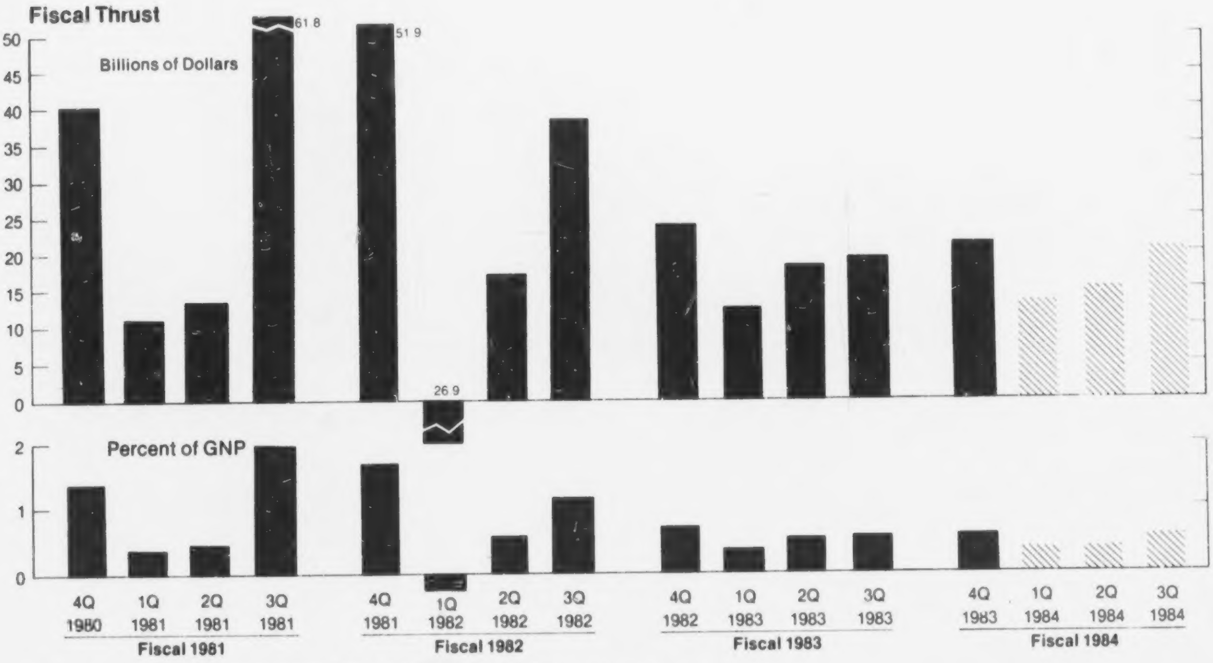
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

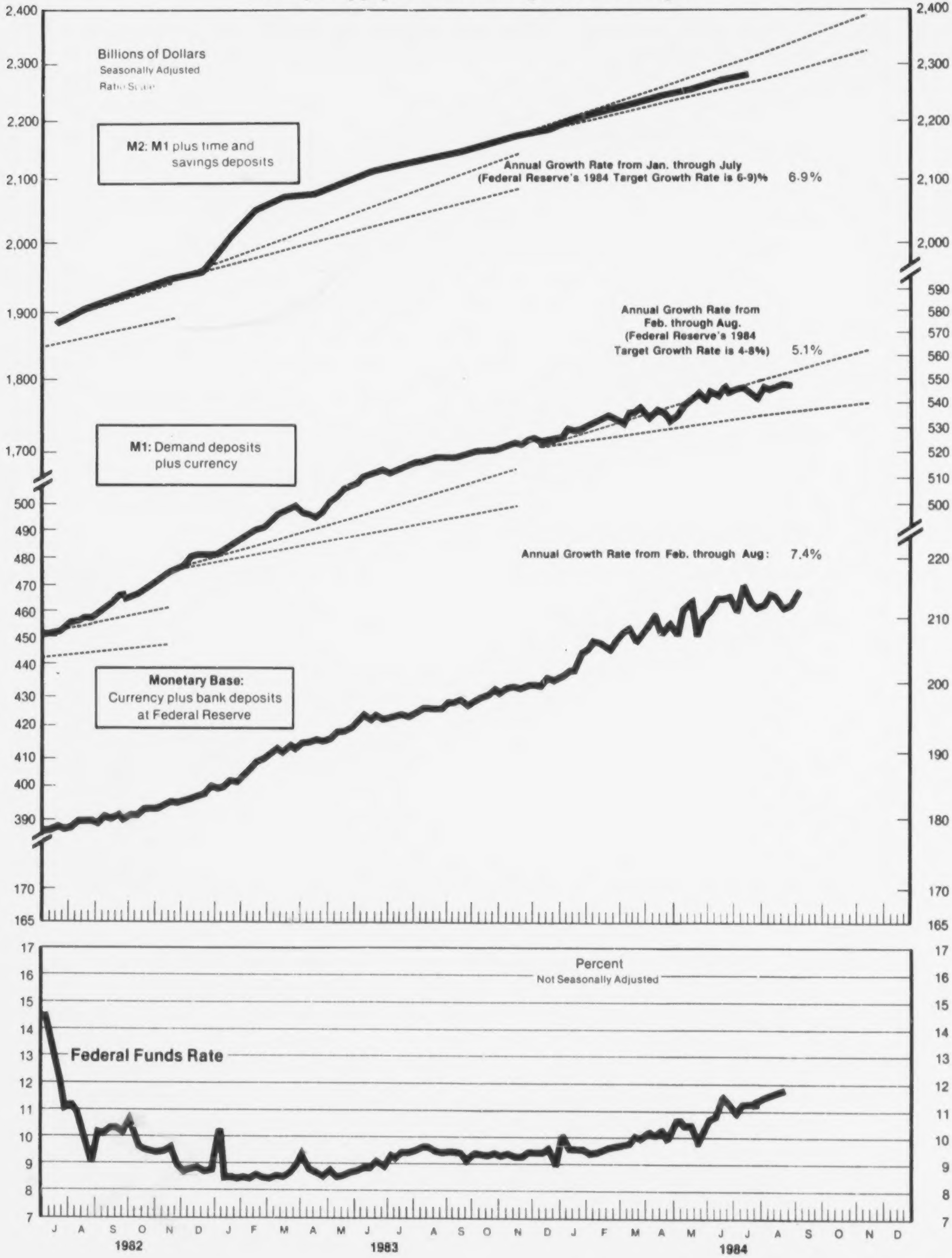
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(8/14/84)	(8/6/84)	(2/1/84)	(8/14/84)	(8/6/84)
Receipts	**600.6**	**670.7**	**673.0**	**737.3**	**763.8**	**751.0**
Outlays	**796.0**	**845.0**	**845.0**	**944.9**	**930.6**	**929.0**
Deficit	**-195.0**	**-174.3**	**-172.0**	**-207.7**	**-166.9**	**-178.0**
Receipts by source	**600.6**	**670.7**	**673.0**	**737.3**	**763.8**	**751.0**
Individual income taxes	288.9	299.5		323.4	341.8	
Corporate income taxes	37.0	59.0		75.5	74.3	
Social insurance	209.0	241.2		269.0	271.5	
Other receipts	65.7	71.1		69.4	76.2	
Outlays by function	**796.0**	**845.0**	**845.0**	**944.9**	**930.6**	**929.0**
National defense	209.9	233.6		284.2	266.2	
Social security and medicare	223.3	237.8		261.4	258.1	
Income security	122.2	95.2		116.9	110.3	
Health	28.7	30.6		34.4	33.8	
Education and manpower	26.6	28.2		29.0	29.4	
Transportation	21.4	25.1		27.4	26.9	
Veterans' benefits	24.8	25.9		26.6	26.7	
International affairs	9.0	12.6		14.1	17.2	
Agriculture	22.2	10.2		14.3	15.1	
National resources and environment	12.7	12.2		11.8	11.6	
General science	7.7	8.2		8.4	8.7	
Community development	6.9	7.3		7.7	7.7	
Revenue sharing	6.5	6.7			6.5	
Justice	5.1	5.9		6.2	6.2	
General government	4.8	5.3		5.7	5.6	
Energy	4.0	2.4		3.4	2.8	
Commerce and housing credit	4.4	4.6		1.6	0.3	
Interest	89.8	109.4		117.9	130.2	
Allowances				1.5	1.0	
Undistributed offsetting receipts	-34.0	-16.2		-34.6	-33.8	

Sources: Office of Management and Budget; Congressional Budget Office.



Note The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the multiplier effect within the private sector of the economy. For more complete descriptions see Michael Levy *The Federal Budget Its Impact on the Economy* (FB-81-3) The Conference Board New York 1980

Money Supply and Monetary Growth Targets



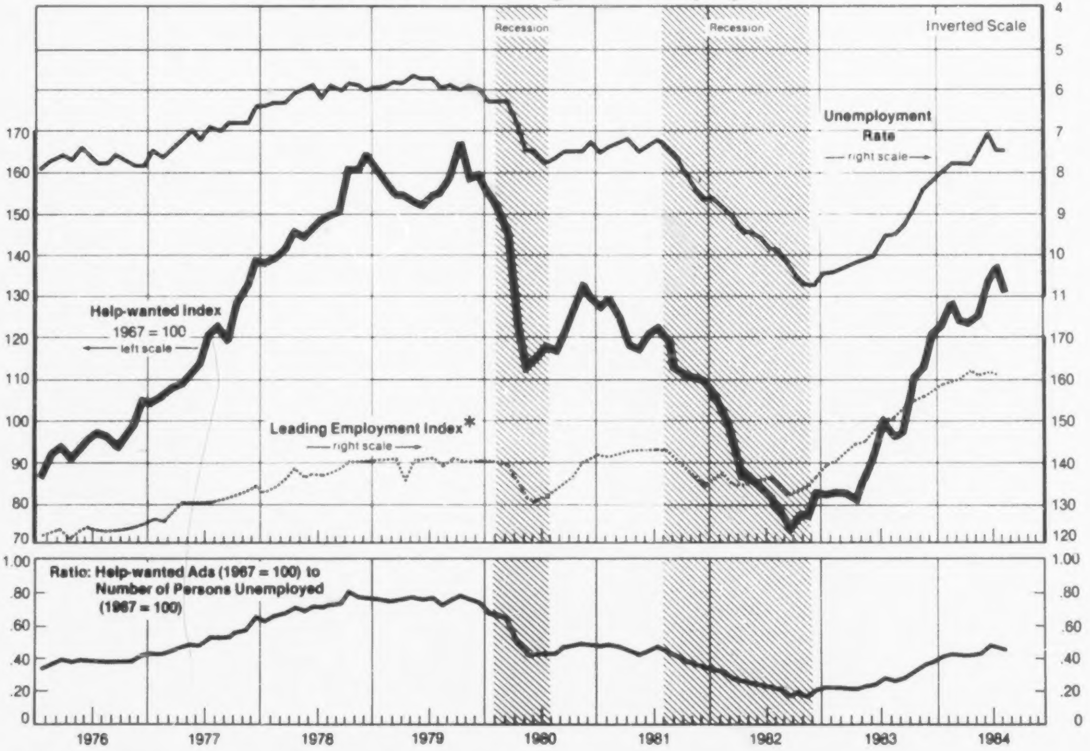
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	July	June	May	July
Total Index				
51 papers	138	134	125	100
New England	155	150	141	108
Boston	171	164	159	121
Hartford	151	149	136	105
Providence	106	103	84	67
Middle Atlantic	68	64	58	53
Albany	140	136	123	88
Allentown	202	161	121	138
New York	56	54	53	45
Philadelphia	64	56	49	50
Pittsburgh	63	57	52	52
Rochester	76	76	63	63
Syracuse	113	110	85	78
East North Central	85	80r	73	57
Chicago	105	101	92	54
Cincinnati	116	107	87	79
Cleveland	63	56	44	45
Columbus	111	105	91	83
Dayton	67	68	59	48
Detroit	55	52	52	52
Gary	99	99	89	96
Indianapolis	84	70r	78	64
Milwaukee	NA	52	43	41
Toledo	86	87	83	68
West North Central	87	87	75	62
Kansas City	114	119	97	85
Minneapolis	78	79	70	51
Omaha	124	115	109	93
St. Louis	NA	69	57	50
South Atlantic	158	161	146	123
Atlanta	293	292	258	202
Baltimore	93	114	104	77
Charlotte	144	139	131	108
Jacksonville	198	197	191	163
Miami	82	81	78	78
Richmond	108	111	96	79
Washington, D.C.	160	158	142	131
East South Central	136	130	116	103
Birmingham	142	141	126	111
Knoxville	190	181	182	144
Louisville	77	78	65	56
Memphis	111	113	104	89
Nashville	200	168	142	145
West South Central	299	299r	282	222
Dallas	422	440	412	285
Houston	369	354r	336	282
New Orleans	141	141	141	123
Oklahoma City	174	176	150	137
San Antonio	208	210	210	158
Tulsa	167	174	146	136
Mountain	321	308	296	205
Denver	228	213	193	168
Phoenix	415	430	416	261
Salt Lake City	367	319	326	198
Pacific	192	185r	184	141
Los Angeles	153	143	144	109
Sacramento	313	293r	289	228
San Bernardino	188	149	143	112
San Diego	391	385	366	273
San Francisco	194	198	200	147
Seattle	172	178	183	165
Percentage of papers with rising volume	63%	82%	45%	90%
Unemployment rate	7.5%	7.1%	7.5%	9.5%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

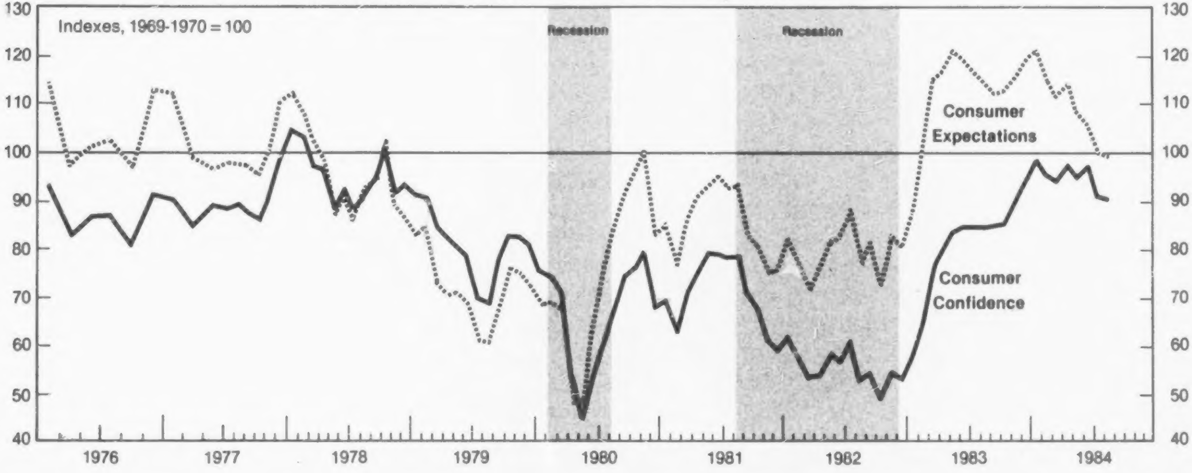
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	90.8p				
Buying Plans Index												
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5r	99.0p				

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

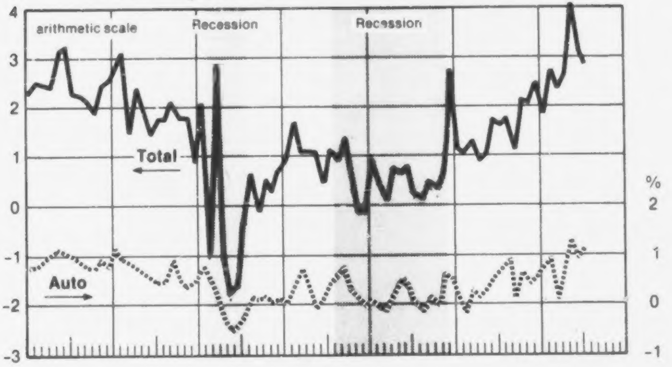
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate	Discretionary			Ratios			
		Purchasing Power (APP)	Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

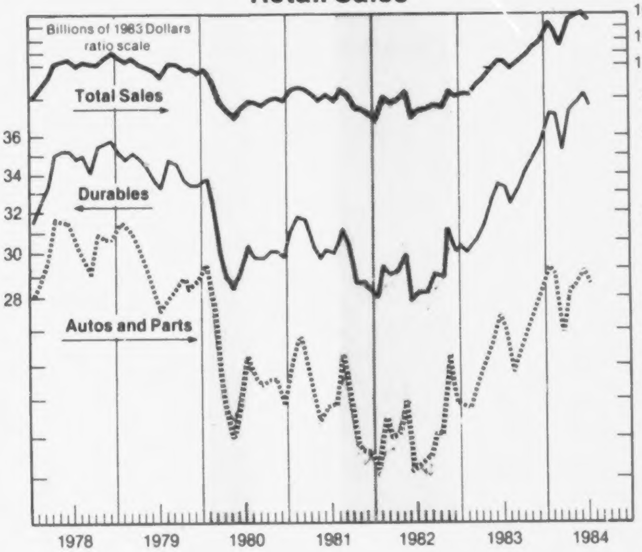
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	8.70
	21-31	5.94	6.25	7.55	8.99
June:	1-10	6.09	6.10	7.34	7.37
	11-20	5.99	4.68	8.12	9.12
	21-30	6.06	4.94	7.88	8.74
July:	1-10	6.09	4.92	7.16	9.39
	11-20	6.47	5.61	7.42	8.39
	21-31	5.89	5.30	7.37	8.53
August:	1-10	7.31	5.35	7.51	7.45
	11-20	6.98	4.52	5.53	7.30
	21-31	7.49	5.05	5.88	6.47
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales